

AN ACT

ENTITLED, An Act to enact the South Dakota Business Corporation Act, to repeal certain chapters relating to corporations, and to revise certain related provisions.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. This Act shall be known and may be cited as the South Dakota Business Corporation Act.

Section 2. Any document satisfying the following requirements, and the requirements of any other section that adds to or varies these requirements, is entitled to be filed by the Office of the Secretary of State:

- (1) The document is required or permitted to be filed in the Office of the Secretary of State;
- (2) The document contains the information required by this Act;
- (3) The document is typewritten or printed or, if electronically transmitted, is in a format that can be retrieved or reproduced in typewritten or printed form;
- (4) The document is in the English language. A corporate name need not be in English if written in English letters or in English letters in combination with Arabic or Roman numerals. The certificate of existence required of foreign corporations need not be in English if accompanied by a reasonably authenticated English translation;
- (5) The document is executed by one of the following persons:
 - (a) By the chair of the board of directors of a domestic or foreign corporation, by its president, or by another of its officers;
 - (b) If directors have not been selected or the corporation has not been formed, by an incorporator; or
 - (c) If the corporation is in the hands of a receiver, trustee, or other court-appointed fiduciary, by that receiver, trustee, or court-appointed fiduciary;

- (6) The person executing the document has signed it and has stated beneath or opposite the signature the person's name and the capacity in which the person signs. The document may, but need not, contain a corporate seal, attestation, acknowledgment, or verification;
- (7) If the Office of the Secretary of State has prescribed a mandatory form for the document under section 6 of this Act, the document is in or on the prescribed form;
- (8) The document is delivered to the Office of the Secretary of State for filing. Delivery may be made by electronic transmission if and to the extent permitted by the Office of the Secretary of State. If the document is filed in typewritten or printed form and not transmitted electronically, the Office of the Secretary of State may require one exact or conformed copy to be delivered with the document, except as provided in sections 51 and 362 of this Act; and
- (9) When the document is delivered to the Office of the Secretary of State for filing, the correct filing fee, and any license fee, or penalty required to be paid at that time by this Act or other law is paid or provision for payment made in a manner permitted by the Office of the Secretary of State.

Section 3. If a provision of this Act permits any of the terms of a plan or a filed document to be dependent on facts objectively ascertainable outside the plan or filed document, the following provisions apply:

- (1) The manner in which the facts will operate upon the terms of the plan or filed document shall be set forth in the plan or filed document;
- (2) The facts may include:
 - (a) Any of the following that are available in a nationally recognized news or information medium either in print or electronically: statistical or market indices, market prices of any security or group of securities, interest rates, currency

exchange rates, or similar economic or financial data;

- (b) A determination or action by any person, including the corporation or any other party to a plan or filed document; or
- (c) The terms of, or actions taken under, an agreement to which the corporation is a party, or any other agreement or document.

For the purposes of this section, a filed document is a document filed with the Office of the Secretary of State under any provision of this Act except sections 348 to 371, inclusive, or sections 387 to 390, inclusive, and a plan is a plan of domestication, nonprofit conversion, entity conversion, merger, or share exchange.

Section 4. If a provision of a filed document is made dependent on a fact ascertainable outside of the filed document, and that fact is not ascertainable by reference to a source described in subsection (2)(a) of section 3 of this Act or a document that is a matter of public record, or the affected shareholders have not received notice of the fact from the corporation, the corporation shall file with the Office of the Secretary of State articles of amendment setting forth the fact promptly after the time when the fact referred to is first ascertainable or thereafter changes. Articles of amendment under this section are deemed to be authorized by the authorization of the original filed document or plan to which they relate and may be filed by the corporation without further action by the board of directors or the shareholders.

Section 5. The following provisions of a plan or filed document may not be made dependent on facts outside the plan or filed document:

- (1) The name and address of any person required in a filed document;
- (2) The registered office of any entity required in a filed document;
- (3) The registered agent of any entity required in a filed document;
- (4) The number of authorized shares and designation of each class or series of shares;

- (5) The effective date of a filed document;
- (6) Any required statement in a filed document of the date on which the underlying transaction was approved or the manner in which that approval was given.

Section 6. The Office of the Secretary of State may prescribe and furnish, on request, forms for:

- (1) An application for a certificate of existence;
- (2) A foreign corporation's application for a certificate of authority to transact business in this state;
- (3) A foreign corporation's application for a certificate of withdrawal; and
- (4) The annual report.

The Office of the Secretary of State may require the use of the forms described in subdivisions (1) to (4), inclusive. The Office of the Secretary of State may prescribe and furnish, on request, forms for other documents required or permitted to be filed by this Act but the use of such forms is not mandatory.

Section 7. The Office of the Secretary of State shall collect the following fees when the documents described in this section are delivered for filing:

- (1) Articles of incorporation, \$125;
- (2) Application for use of indistinguishable name, \$20;
- (3) Application for reserved name, \$20;
- (4) Notice of transfer of reserved name, \$10;
- (5) Application for registered name, \$12;
- (6) Application for renewal of registered name, \$10;
- (7) Corporation's statement of change of registered agent or registered office or both, \$10;
- (8) Agent's statement of change of registered office for each affected corporation, \$10;
- (9) Agent's statement of resignation, no charge;

- (10) Articles of domestication, \$125;
- (11) Articles of charter surrender, \$125;
- (12) Articles of domestication and conversion, \$125;
- (13) Articles of entity conversion, \$125;
- (14) Amendment of articles of incorporation, \$50;
- (15) Restatement of articles of incorporation, \$50;
- (16) Articles of merger or share exchange, \$50;
- (17) Articles of dissolution, \$10;
- (18) Articles of revocation of dissolution, \$10;
- (19) Certificate of administrative dissolution, no charge;
- (20) Application for reinstatement following administrative dissolution, plus any delinquent annual report filing fees for the period prior to the reinstatement application, \$250;
- (21) Certificate of reinstatement, no charge;
- (22) Certificate of judicial dissolution, no charge;
- (23) Application for certificate of authority, \$550;
- (24) Application for amended certificate of authority, \$200;
- (25) Application for certificate of withdrawal, \$10;
- (26) Application for transfer of authority, \$20;
- (27) Certificate of revocation of authority to transact business, no charge;
- (28) Annual report, \$30;
- (29) Articles of correction, \$20;
- (30) Application for certificate of existence or authorization, \$15;
- (31) Any other document required or permitted to be filed by this Act, \$20.

The Office of the Secretary of State shall collect a fee of twenty-five dollars each time process

is served on the Office of the Secretary of State under this Act. The party to a proceeding causing service of process is entitled to recover this fee as costs if the party prevails in the proceeding.

Section 8. The Office of the Secretary of State shall collect the following fees for copying and certifying the copy of any filed document relating to a domestic or foreign corporation:

- (1) One dollar a page for copying;
- (2) Twenty dollars for copying microfiche archived documents for a single corporation; and
- (3) Ten dollars for the certificate.

Section 9. Except as provided in section 10 of this Act and section 13 of this Act, a document accepted for filing is effective:

- (1) At the date and time of filing, as evidenced by such means as the Office of the Secretary of State may use for the purpose of recording the date and time of filing; or
- (2) At the time specified in the document as its effective time on the date it is filed.

Section 10. A document may specify a delayed effective time and date, and if it does so the document becomes effective at the time and date specified. If a delayed effective date is indicated, but no time is specified, the document is effective at the close of business on that date. A delayed effective date for a document may not be later than the ninetieth day after the date it is filed.

Section 11. A domestic or foreign corporation may correct a document filed by the Office of the Secretary of State if any of the following occur:

- (1) The document contains an inaccuracy;
- (2) The document was defectively executed, attested, sealed, verified, or acknowledged; or
- (3) The electronic transmission was defective.

Section 12. A document is corrected:

- (1) By preparing articles of correction that:
 - (a) Describe the document, including its filing date, or attach a copy of it to the

articles;

- (b) Specify the inaccuracy or defect to be corrected; and
- (c) Correct the inaccuracy or defect; and

- (2) By delivering the articles to the Office of the Secretary of State for filing.

Section 13. Articles of correction are effective on the effective date of the document that they correct except as to persons relying on the uncorrected document and adversely affected by the correction. As to those persons, articles of correction are effective when filed.

Section 14. If a document delivered to the Office of the Secretary of State for filing satisfies the requirements of sections 2 to 5, inclusive, of this Act, the Office of the Secretary of State shall file it. The Office of the Secretary of State files a document by recording it as filed on the date and time of receipt. After filing a document, except as provided in sections 51, 363, and 387 to 390, inclusive, of this Act, the Office of the Secretary of State shall deliver to the domestic or foreign corporation or its representative a receipt with an acknowledgment of the date and time of filing.

If the Office of the Secretary of State refuses to file a document, the Office of the Secretary of State shall return it to the domestic or foreign corporation or its representative within five days after the document was delivered, together with a brief, written explanation of the reason for the refusal.

The Office of the Secretary of State's duty to file documents under this section is ministerial. The Office of the Secretary of State's filing or refusing to file a document does not:

- (1) Affect the validity or invalidity of the document in whole or part;
- (2) Relate to the correctness or incorrectness of information contained in the document; or
- (3) Create a presumption that the document is valid or invalid or that information contained in the document is correct or incorrect.

Section 15. If the Office of the Secretary of State refuses to file a document delivered to the Office of the Secretary of State for filing, the domestic or foreign corporation may appeal the refusal

within thirty days after the return of the document to the circuit court of the county where the corporation's principal office or, if none in this state, its registered office, is or will be located. The appeal is commenced by petitioning the court to compel filing the document and by attaching to the petition the document and the Office of the Secretary of State's explanation of the refusal to file.

The court may summarily order the Office of the Secretary of State to file the document or take other action the court considers appropriate. The court's final decision may be appealed as in other civil proceedings.

Section 16. Any certificate from the Office of the Secretary of State delivered with a copy of a document filed by the Office of the Secretary of State, is conclusive evidence that the original document is on file with the Office of the Secretary of State.

Section 17. Any person may apply to the Office of the Secretary of State to furnish a certificate of existence for a domestic corporation or a certificate of authorization for a foreign corporation. A certificate of existence or authorization shall set forth:

- (1) The domestic corporation's corporate name or the foreign corporation's corporate name used in this state;
- (2) That the domestic corporation is duly incorporated under the law of this state, the date of its incorporation, and the period of its duration if less than perpetual; or that the foreign corporation is authorized to transact business in this state;
- (3) That all fees, taxes, and penalties owed to this state have been paid, if:
 - (a) Payment is reflected in the records of the Office of the Secretary of State; and
 - (b) Nonpayment affects the existence or authorization of the domestic or foreign corporation;
- (4) That its most recent annual report required by section 387 of this Act has been delivered to the Office of the Secretary of State;

- (5) That articles of dissolution have not been filed; and
- (6) Other facts of record in the Office of the Secretary of State that may be requested by the applicant.

Subject to any qualification stated in the certificate, a certificate of existence or authorization issued by the Office of the Secretary of State may be relied upon as conclusive evidence that the domestic or foreign corporation is in existence or is authorized to transact business in this state.

Section 18. No person may sign a document knowing it is false in any material respect with intent that the document be delivered to the Office of the Secretary of State for filing. An offense under this section is subject to a civil fine in any amount not exceeding five hundred dollars.

Section 19. Terms used in this Act mean:

- (1) "Articles of incorporation," the original articles of incorporation, all amendments thereof, and any other documents permitted or required to be filed by a domestic business corporation with the Office of the Secretary of State under any provision of this Act except sections 387 to 390, inclusive, of this Act. If an amendment of the articles or any other document filed under this Act restates the articles in their entirety, from that time forward the articles do not include any prior documents;
- (2) "Authorized shares," the shares of all classes a domestic or foreign corporation is authorized to issue;
- (3) "Conspicuous," so written that a reasonable person against whom the writing is to operate should have noticed it. For example, printing in italics or boldface or contrasting color, or typing in capitals or underlined, is conspicuous;
- (4) "Corporation," "domestic corporation," or "domestic business corporation," any corporation for profit, which is not a foreign corporation, incorporated under or subject to the provisions of this Act;

- (5) "Deliver," or "delivery," any method of delivery used in conventional commercial practice, including delivery by hand, mail, commercial delivery, and electronic transmission;
- (6) "Distribution," any direct or indirect transfer of money or other property, except its own shares, or incurrence of indebtedness by a corporation to or for the benefit of its shareholders in respect of any of its shares. A distribution may be in the form of a declaration or payment of a dividend; a purchase, redemption, or other acquisition of shares; a distribution of indebtedness; or otherwise;
- (7) "Domestic unincorporated entity," an unincorporated entity whose internal affairs are governed by the laws of this state;
- (8) "Electronic transmission," or "electronically transmitted," any process of communication not directly involving the physical transfer of paper that is suitable for the retention, retrieval, and reproduction of information by the recipient;
- (9) "Eligible entity," any domestic or foreign unincorporated entity;
- (10) "Eligible interest," an interest or membership as defined in this section;
- (11) "Employee," includes any officer but not a director. However, a director may accept duties that make the director also an employee;
- (12) "Entity," includes domestic and foreign business corporation; estate; trust; domestic and foreign unincorporated entity; and state government, the United States government, and any foreign government;
- (13) "Facts objectively ascertainable," outside of a filed document or plan as defined in sections 3 to 5, inclusive, of this Act;
- (14) "Filing entity," any unincorporated entity that is of a type that is created by filing a public organic document;

- (15) "Foreign corporation," any corporation incorporated under a law other than the law of this state, which would be a business corporation if incorporated under the laws of this state;
- (16) "Foreign nonprofit corporation," any corporation incorporated under a law other than the law of this state, which would be a nonprofit corporation if incorporated under the laws of this state;
- (17) "Foreign unincorporated entity," any unincorporated entity whose internal affairs are governed by an organic law of a jurisdiction other than this state;
- (18) "Governmental subdivision," includes authority, county, district, and municipality;
- (19) "Individual," any natural person;
- (20) "Interest," either or both of the following rights under the organic law of an unincorporated entity:
 - (1) The right to receive distributions from the entity either in the ordinary course or upon liquidation; or
 - (2) The right to receive notice or vote on issues involving its internal affairs, other than as an agent, assignee, proxy, or person responsible for managing its business and affairs;
- (21) "Interest holder," any person who holds of record an interest;
- (22) "Membership," the rights of a member in a domestic or foreign nonprofit corporation;
- (23) "Nonfiling entity," any unincorporated entity that is of a type that is not created by filing a public organic document;
- (24) "Nonprofit corporation," or "domestic nonprofit corporation," any corporation incorporated under the laws of this state and subject to the provisions of chapters 47-22 to 47-28, inclusive;
- (25) "Organic document," any public organic document or a private organic document;

- (26) "Organic law," the statute governing the internal affairs of a domestic or foreign business or nonprofit corporation or unincorporated entity;
- (27) "Owner liability," personal liability for a debt, obligation, or liability of a domestic or foreign business or nonprofit corporation or unincorporated entity that is imposed on a person:
 - (a) Solely by reason of the person's status as a shareholder, member, or interest holder;
or
 - (b) By the articles of incorporation, bylaws, or an organic document under a provision of the organic law of an entity authorizing the articles of incorporation, bylaws, or an organic document to make one or more specified shareholders, members, or interest holders liable in their capacity as shareholders, members, or interest holders for all or specified debts, obligations, or liabilities of the entity;
- (28) "Person," includes an individual and an entity;
- (29) "Principal office," the office, in or out of this state, so designated in the annual report where the principal executive offices of a domestic or foreign corporation are located;
- (30) "Private organic document," any document, other than the public organic document, if any, that determines the internal governance of an unincorporated entity. If a private organic document has been amended or restated, the term means the private organic document as last amended or restated;
- (31) "Public organic document," the document, if any, that is filed of public record to create an unincorporated entity. If a public organic document has been amended or restated, the term means the public organic document as last amended or restated;
- (32) "Proceeding," includes civil suit and criminal, administrative, and investigatory action;
- (33) "Record date," the date established under sections 53 to 58, inclusive, or 86 to 135,

inclusive, of this Act, on which a corporation determines the identity of its shareholders and their shareholdings for purposes of this Act. The determinations shall be made as of the close of business on the record date unless another time for doing so is specified when the record date is fixed;

- (34) "Secretary," the corporate officer to whom the board of directors has delegated responsibility under section 164 of this Act for custody of the minutes of the meetings of the board of directors and of the shareholders and for authenticating records of the corporation;
- (35) "Shareholder," the person in whose name shares are registered in the records of a corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with a corporation;
- (36) "Shares," the units into which the proprietary interests in a corporation are divided;
- (37) "Sign," or "signature," includes any manual, facsimile, conformed, or electronic signature;
- (38) "State," when referring to a part of the United States, includes a state and commonwealth, and their agencies and governmental subdivisions, and a territory and insular possession, and their agencies and governmental subdivisions, of the United States;
- (39) "Subscriber," any person who subscribes for shares in a corporation, whether before or after incorporation;
- (40) "Unincorporated entity," any organization or artificial legal person that either has a separate legal existence or has the power to acquire an estate in real property in its own name and that is not any of the following: a domestic or foreign business or nonprofit corporation, an estate, a trust, a state, the United States, or a foreign government. The term includes a general partnership, limited liability company, limited partnership, business trust, joint stock association, and incorporated nonprofit association;

- (41) "United States," includes district, authority, bureau, commission, department, and any other agency of the United States;
- (42) "Voting group," all shares of one or more classes or series that, under the articles of incorporation or this Act, are entitled to vote and be counted together collectively on a matter at a meeting of shareholders. All shares entitled by the articles of incorporation or this Act to vote generally on the matter are for that purpose a single voting group;
- (43) "Voting power," the current power to vote in the election of directors.

Section 20. Notice under this Act shall be in writing unless oral notice is reasonable under the circumstances. Notice by electronic transmission is written notice.

Section 21. Notice may be communicated in person; by mail or other method of delivery; or by telephone, voice mail, or other electronic means. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television, or other form of public broadcast communication.

Section 22. Written notice by a domestic or foreign corporation to its shareholder, if in a comprehensible form, is effective upon deposit in the United States mail, if mailed postpaid and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders; or when electronically transmitted to the shareholder in a manner authorized by the shareholder.

Section 23. Written notice to a domestic or foreign corporation authorized to transact business in this state may be addressed to its registered agent at its registered office or to the corporation or its secretary at its principal office shown in its most recent annual report or, in the case of a foreign corporation that has not yet delivered an annual report, in its application for a certificate of authority.

Section 24. Except as provided in section 22 of this Act, written notice, if in a comprehensible form, is effective at the earliest of the following:

- (1) When received;
- (2) Five days after its deposit in the United States mail, if mailed postpaid and correctly addressed;
- (3) On the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

Oral notice is effective when communicated, if communicated in a comprehensible manner.

Section 25. If this Act prescribes notice requirements for particular circumstances, those requirements govern. If articles of incorporation or bylaws prescribe notice requirements, not inconsistent with sections 20 to 24, inclusive, of this Act or other provisions of this Act, those requirements govern.

Section 26. For purposes of this Act, the following identified as a shareholder in a corporation's current record of shareholders constitutes one shareholder:

- (1) Three or fewer co-owners;
- (2) A corporation, partnership, trust, estate, or other entity;
- (3) The trustees, guardians, custodians, or other fiduciaries of a single trust, estate, or account.

For purposes of this Act, shareholdings registered in substantially similar names constitute one shareholder if it is reasonable to believe that the names represent the same person.

Section 27. One or more persons may act as the incorporator or incorporators of a corporation by delivering articles of incorporation to the Office of the Secretary of State for filing.

Section 28. The articles of incorporation shall set forth:

- (1) A corporate name for the corporation that satisfies the requirements of sections 41 to 44, inclusive, of this Act;
- (2) The number of shares the corporation is authorized to issue;

- (3) The street address, or a statement that there is no street address, of its principal office;
- (4) The street address, or a statement that there is no street address, of the corporation's initial registered office, and the name of its initial registered agent at that office; and
- (5) The name and address of each incorporator.

Section 29. The articles of incorporation may set forth:

- (1) The names and addresses of the individuals who are to serve as the initial directors;
- (2) Provisions not inconsistent with law regarding:
 - (a) The purpose or purposes for which the corporation is organized;
 - (b) Managing the business and regulating the affairs of the corporation;
 - (c) Defining, limiting, and regulating the powers of the corporation, its board of directors, and shareholders;
 - (d) A par value for authorized shares or classes of shares; and
 - (e) The imposition of personal liability on shareholders for the debts of the corporation to a specified extent and upon specified conditions;
- (3) Any provision that under this Act is required or permitted to be set forth in the bylaws;
- (4) A provision eliminating or limiting the liability of a director to the corporation or its shareholders for money damages for any action taken, or any failure to take any action, as a director, except liability for the amount of a financial benefit received by a director to which the director is not entitled; an intentional infliction of harm on the corporation or the shareholders; a violation of section 162 of this Act; or an intentional violation of criminal law;
- (5) A provision permitting or making obligatory indemnification of a director for liability, as defined in subdivision (5) of section 171 of this Act, to any person for any action taken, or any failure to take any action, as a director, except liability for receipt of a financial

benefit to which the director is not entitled; an intentional infliction of harm on the corporation or its shareholders; a violation of section 163 of this Act; or an intentional violation of criminal law; and

- (6) Any provision limiting or denying preemptive rights to acquire additional or treasury shares of the corporation.

Section 30. The articles of incorporation need not set forth any of the corporate powers enumerated in this Act.

Section 31. Provisions of the articles of incorporation may be made dependent upon facts objectively ascertainable outside the articles of incorporation in accordance with sections 3 to 5, inclusive, of this Act.

Section 32. Unless a delayed effective date is specified, the corporate existence begins when the articles of incorporation are filed. The Office of the Secretary of State's filing of the articles of incorporation is conclusive proof that the incorporators satisfied all conditions precedent to incorporation except in a proceeding by the state to cancel or revoke the incorporation or involuntarily dissolve the corporation.

Section 33. Any person purporting to act as or on behalf of a corporation, knowing there was no incorporation under this Act, is jointly and severally liable for all liabilities created while so acting.

Section 34. After incorporation:

- (1) If initial directors are named in the articles of incorporation, the initial directors shall hold an organizational meeting, at the call of a majority of the directors, to complete the organization of the corporation by appointing officers, adopting bylaws, and carrying on any other business brought before the meeting;
- (2) If initial directors are not named in the articles, the incorporator or incorporators shall hold an organizational meeting at the call of a majority of the incorporators:

- (a) To elect directors and complete the organization of the corporation; or
- (b) To elect a board of directors who shall complete the organization of the corporation.

Action required or permitted by this Act to be taken by incorporators at an organizational meeting may be taken without a meeting if the action taken is evidenced by one or more written consents describing the action taken and signed by each incorporator. An organizational meeting may be held in or out of this state.

Section 35. The incorporators or board of directors of a corporation shall adopt initial bylaws for the corporation. The bylaws of a corporation may contain any provision for managing the business and regulating the affairs of the corporation that is not inconsistent with law or the articles of incorporation.

Section 36. Unless the articles of incorporation provide otherwise, the board of directors of a corporation may adopt bylaws to be effective only in an emergency. The emergency bylaws, which are subject to amendment or repeal by the shareholders, may make all provisions necessary for managing the corporation during the emergency, including:

- (1) Procedures for calling a meeting of the board of directors;
- (2) Quorum requirements for the meeting; and
- (3) Designation of additional or substitute directors.

All provisions of the regular bylaws consistent with the emergency bylaws remain effective during the emergency. The emergency bylaws are not effective after the emergency ends. Any corporate action taken in good faith in accordance with emergency bylaws binds the corporation and may not be used to impose liability on a corporate director, officer, employee, or agent.

An emergency exists for purposes of this section if a quorum of the corporation's directors cannot readily be assembled because of some catastrophic event.

Section 37. Any corporation incorporated under this Act has the purpose of engaging in any lawful business unless a more limited purpose is set forth in the articles of incorporation.

A corporation engaging in a business that is subject to regulation under another statute of this state may incorporate under this Act only if permitted by, and subject to all limitations of, the other statute.

Section 38. Unless its articles of incorporation provide otherwise, a corporation has perpetual duration and succession in its corporate name and has the same powers as an individual to do all things necessary or convenient to carry out its business and affairs, including the power to:

- (1) Sue and be sued, complain, and defend in its corporate name;
- (2) Have a corporate seal, which may be altered at will, and to use it, or a facsimile of it, by impressing or affixing it or in any other manner reproducing it;
- (3) Make and amend bylaws, not inconsistent with its articles of incorporation or with the laws of this state, for managing the business and regulating the affairs of the corporation;
- (4) Purchase, receive, lease, or otherwise acquire, and own, hold, improve, use, and otherwise deal with, real or personal property, or any legal or equitable interest in property, wherever located;
- (5) Sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of all or any part of its property;
- (6) Purchase, receive, subscribe for, or otherwise acquire; own, hold, vote, use, sell, mortgage, lend, pledge, or otherwise dispose of; and deal in and with shares or other interests in, or obligations of, any other entity;
- (7) Make contracts and guarantees, incur liabilities, borrow money, issue its notes, bonds, and other obligations, which may be convertible into or include the option to purchase other securities of the corporation, and secure any of its obligations by mortgage or pledge of

any of its property, franchises, or income;

- (8) Lend money, invest and reinvest its funds, and receive and hold real and personal property as security for repayment;
- (9) Be a promoter, partner, member, associate, or manager of any partnership, joint venture, trust, or other entity;
- (10) Conduct its business, locate offices, and exercise the powers granted by this Act within or without this state;
- (11) Elect directors and appoint officers, employees, and agents of the corporation, define their duties, fix their compensation, and lend them money and credit;
- (12) Pay pensions and establish pension plans, pension trusts, profit sharing plans, share bonus plans, share option plans, and benefit or incentive plans for any or all of its current or former directors, officers, employees, and agents;
- (13) Make donations for the public welfare or for charitable, scientific, or educational purposes;
- (14) Transact any lawful business that will aid governmental policy;
- (15) Make payments or donations, or do any other act, not inconsistent with law, that furthers the business and affairs of the corporation.

Section 39. In anticipation of or during an emergency, the board of directors of a corporation may modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent; and relocate the principal office, designate alternative principal offices or regional offices, or authorize the officers to do so.

During an emergency, unless emergency bylaws provide otherwise:

- (1) Notice of a meeting of the board of directors need be given only to those directors whom it is practicable to reach and may be given in any practicable manner, including by

publication and radio; and

- (2) One or more officers of the corporation present at a meeting of the board of directors may be deemed to be directors for the meeting, in order of rank and within the same rank in order of seniority, as necessary to achieve a quorum.

Corporate action taken in good faith during an emergency under this section to further the ordinary business affairs of the corporation binds the corporation and may not be used to impose liability on a corporate director, officer, employee, or agent.

An emergency exists for purposes of this section if a quorum of the corporation's directors cannot readily be assembled because of some catastrophic event.

Section 40. The validity of corporate action may not be challenged on the ground that the corporation lacks or lacked power to act. However, a corporation's power to act may be challenged in the following proceedings:

- (1) In a proceeding by a shareholder against the corporation to enjoin the act;
- (2) In a proceeding by the corporation, directly, derivatively, or through a receiver, trustee, or other legal representative, against an incumbent or former director, officer, employee, or agent of the corporation; or
- (3) In a proceeding by the attorney general under section 332 of this Act.

In a shareholder's proceeding under subdivision (1) to enjoin an unauthorized corporate act, the court may enjoin or set aside the act, if equitable and if all affected persons are parties to the proceeding, and may award damages for loss, other than anticipated profits, suffered by the corporation or another party because of enjoining the unauthorized act.

Section 41. A corporate name must contain the term, corporation, incorporated, company, or limited, or the abbreviation, corp., inc., co., or ltd., or terms or abbreviations of like import in another language. A corporate name may not contain language stating or implying that the corporation is

organized for a purpose other than that permitted by section 37 of this Act and its articles of incorporation.

Section 42. Except as authorized by sections 43 and 44 of this Act, a corporate name shall be distinguishable upon the records of the Office of the Secretary of State from:

- (1) The corporate name of a corporation incorporated or authorized to transact business in this state;
- (2) A corporate name reserved or registered under section 45 or 46 of this Act;
- (3) The fictitious name adopted by a foreign corporation authorized to transact business in this state because its real name is unavailable;
- (4) The corporate name of a not-for-profit corporation incorporated or authorized to transact business in this state; and
- (5) The name of a limited liability company, limited liability partnership, limited partnership, or limited liability limited partnership organized or authorized to transact business in this state.

Section 43. A corporation may apply to the Office of the Secretary of State for authorization to use a name that is not distinguishable upon the records of the Office of the Secretary of State from one or more of the names described in section 42 of this Act. The Office of the Secretary of State shall authorize use of the name applied for if:

- (1) The other corporation or entity consents to the use in writing and submits an undertaking in form satisfactory to the Office of the Secretary of State to change its name to a name that is distinguishable upon the records of the Office of the Secretary of State from the name of the applying corporation; or
- (2) The applicant delivers to the Office of the Secretary of State a certified copy of the final judgment of a court of competent jurisdiction establishing the applicant's right to use the

name applied for in this state.

Section 44. A corporation may use the name, including the fictitious name, of another domestic or foreign corporation that is used in this state if the other corporation is incorporated or authorized to transact business in this state and the proposed user corporation:

- (1) Has merged with the other corporation;
- (2) Has been formed by reorganization of the other corporation; or
- (3) Has acquired all or substantially all of the assets, including the corporate name, of the other corporation.

This Act does not control the use of fictitious names.

Section 45. A person may reserve the exclusive use of a corporate name, including a fictitious name for a foreign corporation whose corporate name is not available, by delivering an application to the Office of the Secretary of State for filing. The application shall set forth the name and address of the applicant and the name proposed to be reserved. If the Office of the Secretary of State finds that the corporate name applied for is available, the Office of the Secretary of State shall reserve the name for the applicant's exclusive use for a nonrenewable one-hundred-twenty-day period.

The owner of a reserved corporate name may transfer the reservation to another person by delivering to the Office of the Secretary of State a signed notice of the transfer that states the name and address of the transferee.

Section 46. A foreign corporation may register its corporate name, or its corporate name with any addition required by sections 355 to 359 of this Act, if the name is distinguishable upon the records of the Office of the Secretary of State from the corporate names that are not available under section 42 of this Act. A foreign corporation registers its corporate name, or its corporate name with any addition required by sections 355 to 559, inclusive, of this Act, by delivering to the Office of the Secretary of State for filing an application:

- (1) Setting forth its corporate name, or its corporate name with any addition required by sections 355 to 559, inclusive, of this Act, the state or country and date of its incorporation, and a brief description of the nature of the business in which it is engaged; and
- (2) Accompanied by a certificate of existence, or a document of similar import, from the state or country of incorporation.

The name is registered for the applicant's exclusive use upon the effective date of the application.

Section 47. A foreign corporation whose registration is effective may renew it for successive years by delivering to the Office of the Secretary of State for filing a renewal application, which complies with the requirements of section 46 of this Act, between October first and December thirty-first of the preceding year. The renewal application when filed renews the registration for the following calendar year.

Section 48. A foreign corporation whose registration is effective may thereafter qualify as a foreign corporation under the registered name or consent in writing to the use of that name by a corporation thereafter incorporated under this Act or by another foreign corporation thereafter authorized to transact business in this state. The registration terminates if the domestic corporation is incorporated or the foreign corporation qualifies or consents to the qualification of another foreign corporation under the registered name.

Section 49. Each corporation shall continuously maintain in this state:

- (1) A registered office that may be the same as any of its places of business; and
- (2) A registered agent, who may be:
 - (a) An individual who resides in this state and whose business office is identical with the registered office;
 - (b) A domestic corporation or not-for-profit domestic corporation whose business

office is identical with the registered office; or

- (c) A foreign corporation or not-for-profit foreign corporation authorized to transact business in this state whose business office is identical with the registered office.

Section 50. A corporation may change its registered office or registered agent by delivering to the secretary of state for filing a statement of change that sets forth:

- (1) The name of the corporation;
- (2) The street address, or a statement that there is no street address, of its current registered office;
- (3) If the current registered office is to be changed, the street address, or a statement there is no street address, of the new registered office;
- (4) The name of its current registered agent;
- (5) If the current registered agent is to be changed, the name of the new registered agent and the new agent's written consent to the appointment. Such consent may be given by electronic signature pursuant to chapter 53-12; and
- (6) That after any change is made, the street addresses of its registered office and the business office of its registered agent will be identical.

If a registered agent changes the street address of the agent's business office, the agent may change the street address of the registered office of any corporation for which the agent is the registered agent by notifying the corporation in writing of the change and signing, either manually or in facsimile, and delivering to the Office of the Secretary of State for filing a statement that complies with the requirements of this section and recites that the corporation has been notified of the change.

Section 51. A registered agent may resign the agency appointment by signing and delivering to the Office of the Secretary of State for filing a statement of resignation. The statement may include

a statement that the registered office is also discontinued. After delivering the statement to the Office of the Secretary of State, the registered agent shall mail one copy to the registered office, if not discontinued, and another copy to the corporation at its principal office. The agency appointment is terminated, and the registered office discontinued if so provided, on the thirty-first day after the date on which the statement was filed.

Section 52. A corporation's registered agent is the corporation's agent for service of process, notice, or demand required or permitted by law to be served on the corporation. If a corporation has no registered agent, or the agent cannot with reasonable diligence be served, the corporation may be served by registered or certified mail, return receipt requested, addressed to the secretary of the corporation at its principal office. Service is perfected under this section at the earliest of:

- (1) The date the corporation receives the mail;
- (2) The date shown on the return receipt, if signed on behalf of the corporation; or
- (3) Five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed.

If service cannot be obtained pursuant to this section, the Office of the Secretary of State is the corporation's agent for service of process, notice, or demand required or permitted by law to be served on the corporation.

This section does not prescribe the only means, or necessarily the required means of serving a corporation.

Section 53. The articles of incorporation shall set forth any classes of shares and series of shares within a class, and the number of shares of each class and series, that the corporation is authorized to issue. If more than one class or series of shares is authorized, the articles of incorporation shall prescribe a distinguishing designation for each class or series and shall describe, prior to the issuance of shares of a class or series, the terms, including the preferences, rights, and limitations, of that class

or series. Except to the extent varied as permitted by this section, all shares of a class or series shall have terms, including preferences, rights, and limitations, that are identical with those of other shares of the same class or series. Terms of shares may be made dependent upon facts objectively ascertainable outside the articles of incorporation in accordance with sections 3 to 5, inclusive, of this Act. Any of the terms of shares may vary among holders of the same class or series so long as such variations are expressly set forth in the articles of incorporation.

Section 54. The articles of incorporation shall authorize:

- (1) One or more classes or series of shares that together have unlimited voting rights; and
- (2) One or more classes or series of shares, which may be the same class or classes as those with voting rights, that together are entitled to receive the net assets of the corporation upon dissolution.

Section 55. The articles of incorporation may authorize one or more classes or series of shares that:

- (1) Have special, conditional, or limited voting rights, or no right to vote, except to the extent otherwise provided by this Act;
- (2) Are redeemable or convertible as specified in the articles of incorporation:
 - (a) At the option of the corporation, the shareholder, or another person or upon the occurrence of a specified event;
 - (b) For cash, indebtedness, securities, or other property; and
 - (c) At prices and in amounts specified, or determined in accordance with a formula;
- (3) Entitle the holders to distributions calculated in any manner, including dividends that may be cumulative, noncumulative, or partially cumulative; or
- (4) Have preference over any other class or series of shares with respect to distributions, including distributions upon the dissolution of the corporation.

The description of the preferences, rights, and limitations of classes or series of shares in this section is not exhaustive.

Section 56. If the articles of incorporation so provide, the board of directors, without shareholder approval, may:

- (1) Classify any unissued shares into one or more classes or into one or more series within a class;
- (2) Reclassify any unissued shares of any class into one or more classes or into one or more series within one or more classes; or
- (3) Reclassify any unissued shares of any series of any class into one or more classes or into one or more series within a class.

Section 57. If the board of directors acts pursuant to section 56 of this Act, the board shall determine the terms, including the preferences, rights, and limitations, to the same extent permitted under sections 53 to 55, inclusive, of this Act, of:

- (1) Any class of shares before the issuance of any shares of that class; or
- (2) Any series within a class before the issuance of any shares of that series.

Before issuing any shares of a class or series created under section 56 of this Act, the corporation shall deliver to the Office of the Secretary of State for filing articles of amendment setting forth the terms determined under this section.

Section 58. A corporation may issue the number of shares of each class or series authorized by the articles of incorporation. Shares that are issued are outstanding shares until they are reacquired, redeemed, converted, or cancelled. The reacquisition, redemption, or conversion of outstanding shares is subject to the limitations of section 59 and sections 80 to 85, inclusive, of this Act.

Section 59. At all times that shares of the corporation are outstanding, one or more shares that together have unlimited voting rights and one or more shares that together are entitled to receive the

net assets of the corporation upon dissolution must be outstanding.

Section 60. A corporation may:

- (1) Issue fractions of a share or pay in money the value of fractions of a share;
- (2) Arrange for disposition of fractional shares by the shareholders;
- (3) Issue scrip in registered or bearer form entitling the holder to receive a full share upon surrendering enough scrip to equal a full share.

Section 61. Each certificate representing scrip shall be conspicuously labeled scrip and shall contain the information required by section 70 of this Act.

Section 62. The holder of a fractional share is entitled to exercise the rights of a shareholder, including the right to vote, to receive dividends, and to participate in the assets of the corporation upon liquidation. The holder of scrip is not entitled to any of these rights unless the scrip so provides.

Section 63. The board of directors may authorize the issuance of scrip subject to any condition considered desirable, including:

- (1) That the scrip will become void if not exchanged for full shares before a specified date;
and
- (2) That the shares for which the scrip is exchangeable may be sold and the proceeds paid to the scripholders.

Section 64. A subscription for shares entered into before incorporation is irrevocable for six months unless the subscription agreement provides a longer or shorter period or all the subscribers agree to revocation. The board of directors may determine the payment terms of subscription for shares that were entered into before incorporation, unless the subscription agreement specifies them. A call for payment by the board of directors shall be uniform so far as practicable as to all shares of the same class or series, unless the subscription agreement specifies otherwise.

Shares issued pursuant to subscriptions entered into before incorporation are fully paid and

nonassessable when the corporation receives the consideration specified in the subscription agreement. If a subscriber defaults in payment of money or property under a subscription agreement entered into before incorporation, the corporation may collect the amount owed as any other debt. Alternatively, unless the subscription agreement provides otherwise, the corporation may rescind the agreement and may sell the shares if the debt remains unpaid for more than twenty days after the corporation sends written demand for payment to the subscriber.

A subscription agreement entered into after incorporation is a contract between the subscriber and the corporation subject to sections 65 and 66 of this Act.

Section 65. The powers granted in this section to the board of directors may be reserved to the shareholders by the articles of incorporation.

No corporation may issue stocks or bonds except for money, labor done, or money or property, tangible or intangible, actually received. Before the corporation may issue shares, the board of directors shall determine that the consideration received or to be received for shares to be issued is adequate. That determination by the board of directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid, and nonassessable. When the corporation receives the consideration for which the board of directors authorized the issuance of shares, the shares issued therefore are fully paid and nonassessable.

Section 66. An issuance of shares or other securities convertible into or rights exercisable for shares, in a transaction or a series of integrated transactions, requires approval of the shareholders, at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the matter exists, if:

- (1) The shares, other securities, or rights are issued for consideration other than cash or cash equivalents; and
- (2) The voting power of shares that are issued and issuable as a result of the transaction or

series of integrated transactions will comprise more than twenty percent of the voting power of the shares of the corporation that were outstanding immediately before the transaction.

For purposes of determining the voting power of shares issued and issuable as a result of a transaction or series of integrated transactions, the voting power of shares shall be the greater of the voting power of the shares to be issued, or the voting power of the shares that would be outstanding after giving effect to the conversion of convertible shares and other securities and the exercise of rights to be issued. For the purposes of this section, a series of transactions is integrated if consummation of one transaction is made contingent on consummation of one or more of the other transactions.

Section 67. A purchaser from a corporation of its own shares is not liable to the corporation or its creditors with respect to the shares except to pay the consideration for which the shares were authorized to be issued or specified in the subscription agreement.

Unless otherwise provided in the articles of incorporation, no shareholder of a corporation is personally liable for the acts or debts of the corporation except that a shareholder may become personally liable by reason of the shareholder's own acts or conduct.

Section 68. Unless the articles of incorporation provide otherwise, shares may be issued pro rata and without consideration to the corporation's shareholders or to the shareholders of one or more classes or series. An issuance of shares under this section is a share dividend.

Shares of one class or series may not be issued as a share dividend in respect of shares of another class or series unless:

- (1) The articles of incorporation so authorize;
- (2) A majority of the votes entitled to be cast by the class or series to be issued approve the issue; or

- (3) There are no outstanding shares of the class or series to be issued.

If the board of directors does not fix the record date for determining shareholders entitled to a share dividend, it is the date the board of directors authorizes the share dividend.

Section 69. A corporation may issue rights, options, or warrants for the purchase of shares or other securities of the corporation. The board of directors shall determine the terms upon which the rights, options, or warrants are issued, and the terms, including the consideration, for which the shares or other securities are to be issued. The authorization by the board of directors for the corporation to issue such rights, options, or warrants constitutes authorization of the issuance of the shares or other securities for which the rights, options, or warrants are exercisable.

The terms and conditions of such rights, options, or warrants, including those outstanding on the effective date of this section, may include restrictions or conditions that:

- (1) Preclude or limit the exercise, transfer, or receipt of such rights, options, or warrants by any person or persons owning or offering to acquire a specified number or percentage of the outstanding shares or other securities of the corporation or by any transferee or transferees of any such person or persons; or
- (2) Invalidate or void such rights, options, or warrants held by any such person or persons or any such transferee or transferees.

Section 70. Shares may but need not be represented by certificates. Unless this Act or another statute expressly provides otherwise, the rights and obligations of shareholders are identical whether or not their shares are represented by certificates. At a minimum each share certificate shall state on its face:

- (1) The name of the issuing corporation and that it is organized under the law of this state;
- (2) The name of the person to whom issued; and
- (3) The number and class of shares and the designation of the series, if any, the certificate

represents.

Section 71. If the issuing corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series, and the authority of the board of directors to determine variations for future series, shall be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder this information on request in writing and without charge.

Section 72. Each share certificate shall be signed, either manually or in facsimile, by two officers designated in the bylaws or by the board of directors and may bear the corporate seal or its facsimile. If the person who signed a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 73. Unless the articles of incorporation or bylaws provide otherwise, the board of directors of a corporation may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. The authorization does not affect shares already represented by certificates until they are surrendered to the corporation.

Within a reasonable time after the issue or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information required on certificates by sections 70 and 71 of this Act, and, if applicable, sections 74 to 76, inclusive, of this Act.

Section 74. The articles of incorporation, bylaws, an agreement among shareholders, or an agreement between shareholders and the corporation may impose restrictions on the transfer or registration of transfer of shares of the corporation. A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the restriction.

Section 75. A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate or is contained in the information statement required by section 73 of this Act. Unless so noted, a restriction is not enforceable against a person without knowledge of the restriction. A restriction on the transfer or registration of transfer of shares is authorized:

- (1) To maintain the corporation's status when it is dependent on the number or identity of its shareholders;
- (2) To preserve exemptions under federal or state securities law;
- (3) For any other reasonable purpose.

Section 76. A restriction on the transfer or registration of transfer of shares may:

- (1) Obligate the shareholder first to offer the corporation or other persons, separately, consecutively, or simultaneously, an opportunity to acquire the restricted shares;
- (2) Obligate the corporation or other persons, separately, consecutively, or simultaneously, to acquire the restricted shares;
- (3) Require the corporation, the holders of any class of its shares, or another person to approve the transfer of the restricted shares, if the requirement is not manifestly unreasonable;
- (4) Prohibit the transfer of the restricted shares to designated persons or classes of persons, if the prohibition is not manifestly unreasonable.

Section 77. A corporation may pay the expenses of selling or underwriting its shares, and of organizing or reorganizing the corporation, from the consideration received for shares.

Section 78. The shareholders of a corporation have the preemptive right to acquire unissued or treasury shares of a corporation, except, to the extent, if any, that such right is limited or denied in

the articles of incorporation. Having preemptive rights means that the following provisions apply except to the extent the articles of incorporation expressly provide otherwise:

- (1) The shareholders of the corporation have a preemptive right, granted on uniform terms and conditions prescribed by the board of directors to provide a fair and reasonable opportunity to exercise the right, to acquire proportional amounts of the corporation's unissued shares upon the decision of the board of directors to issue them;
- (2) A shareholder may waive any preemptive right. A waiver evidenced by a writing is irrevocable even though it is not supported by consideration;
- (3) There is no preemptive right with respect to:
 - (a) Shares issued as compensation to directors, officers, agents, or employees of the corporation, its subsidiaries or affiliates;
 - (b) Shares issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents, or employees of the corporation, its subsidiaries or affiliates;
 - (c) Shares authorized in articles of incorporation that are issued within six months from the effective date of incorporation;
 - (d) Shares sold otherwise than for money;
- (4) Holders of shares of any class without general voting rights, but with preferential rights to distributions or assets, have no preemptive rights with respect to shares of any class;
- (5) Holders of shares of any class with general voting rights, but without preferential rights to distributions or assets, have no preemptive rights with respect to shares of any class with preferential rights to distributions or assets unless the shares with preferential rights are convertible into or carry a right to subscribe for or acquire shares without preferential rights;

- (6) Shares subject to preemptive rights that are not acquired by shareholders may be issued to any person for a period of one year after being offered to shareholders at a consideration set by the board of directors that is not lower than the consideration set for the exercise of preemptive rights. An offer at a lower consideration or after the expiration of one year is subject to the shareholders' preemptive rights.

For purposes of this section, the term, shares, includes a security convertible into or carrying a right to subscribe for or acquire shares.

Section 79. A corporation may acquire its own shares, and shares so acquired constitute authorized but unissued shares. If the articles of incorporation prohibit the reissue of the acquired shares, the number of authorized shares is reduced by the number of shares acquired.

Section 80. A board of directors may authorize, and the corporation may make, distributions to its shareholders subject to restriction by the articles of incorporation and the limitation in section 81 of this Act. If the board of directors does not fix the record date for determining shareholders entitled to a distribution, other than one involving a purchase, redemption, or other acquisition of the corporation's shares, it is the date the board of directors authorizes the distribution.

Section 81. No distribution may be made if, after giving it effect:

- (1) The corporation would not be able to pay its debts as they become due in the usual course of business; or
- (2) The corporation's total assets would be less than the sum of its total liabilities plus, unless the articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

The board of directors may base a determination that a distribution is not prohibited under this

section either on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable under the circumstances.

Section 82. Except as provided in section 84 of this Act, the effect of a distribution under section 81 of this Act is measured:

- (1) In the case of distribution by purchase, redemption, or other acquisition of the corporation's shares, as of the earlier of the date money or other property is transferred or debt incurred by the corporation, or the date the shareholder ceases to be a shareholder with respect to the acquired shares;
- (2) In the case of any other distribution of indebtedness, as of the date the indebtedness is distributed; and
- (3) In all other cases, as of the date the distribution is authorized if the payment occurs within one hundred twenty days after the date of authorization, or the date the payment is made if it occurs more than one hundred twenty days after the date of authorization.

Section 83. A corporation's indebtedness to a shareholder incurred by reason of a distribution made in accordance with sections 80 to 85, inclusive, of this Act, is at parity with the corporation's indebtedness to its general, unsecured creditors except to the extent subordinated by agreement.

Section 84. Indebtedness of a corporation, including indebtedness issued as a distribution, is not considered a liability for purposes of determinations under section 81 of this Act if its terms provide that payment of principal and interest are made only if and to the extent that payment of a distribution to shareholders could then be made under this section. If the indebtedness is issued as a distribution, each payment of principal or interest is treated as a distribution, the effect of which is measured on the date the payment is actually made.

Section 85. The provisions of sections 80 to 84, inclusive, of this Act do not apply to

distributions in liquidation under sections 309 to 347, inclusive, of this Act.

Section 86. A corporation shall hold a meeting of shareholders annually at a time stated in or fixed in accordance with the bylaws. Annual shareholders' meetings may be held in or out of this state at the place stated in or fixed in accordance with the bylaws. If no place is stated in or fixed in accordance with the bylaws, annual meetings shall be held at the corporation's principal office. The failure to hold an annual meeting at the time stated in or fixed in accordance with a corporation's bylaws does not affect the validity of any corporate action.

Section 87. A corporation shall hold a special meeting of shareholders:

- (1) On call of its board of directors or any persons authorized to do so by the articles of incorporation or bylaws; or
- (2) If the holders of at least ten percent of all the votes entitled to be cast on an issue proposed to be considered at the proposed special meeting sign, date, and deliver to the corporation one or more written demands for the meeting describing the purpose or purposes for which it is to be held. However, the articles of incorporation may fix a lower percentage or a higher percentage not exceeding twenty-five percent of all the votes entitled to be cast on any issue proposed to be considered. Unless otherwise provided in the articles of incorporation, a written demand for a special meeting may be revoked by a writing to that effect received by the corporation prior to the receipt by the corporation of demands sufficient in number to require the holding of a special meeting.

If not otherwise fixed under section 88 or 93 of this Act, the record date for determining shareholders entitled to demand a special meeting is the date the first shareholder signs the demand. Special shareholders' meetings may be held in or out of this state at the place stated in or fixed in accordance with the bylaws. If no place is stated or fixed in accordance with the bylaws, special meetings shall be held at the corporation's principal office. Only business within the purposes

described in the meeting notice required by section 91 of this Act may be conducted at a special shareholders' meeting.

Section 88. The circuit court of the county where a corporation's principal office, or, if none in this state, its registered office, is located may summarily order a meeting to be held:

- (1) On application of any shareholder of the corporation entitled to participate in an annual meeting if an annual meeting was not held within the earlier of six months after the end of the corporation's fiscal year or fifteen months after its last annual meeting; or
- (2) On application of a shareholder who signed a demand for a special meeting valid under section 87 of this Act, if:
 - (a) Notice of the special meeting was not given within thirty days after the date the demand was delivered to the corporation's secretary; or
 - (b) The special meeting was not held in accordance with the notice.

The court may fix the time and place of the meeting, determine the shares entitled to participate in the meeting, specify a record date for determining shareholders entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for specific matters to be considered at the meeting, or direct that the votes represented at the meeting constitute a quorum for action on those matters, and enter other orders necessary to accomplish the purposes of the meeting.

Section 89. Action required or permitted by this Act to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action, and delivered to the corporation for inclusion in the minutes or filing with the corporate records. If not otherwise fixed under section 88 or 93 of this Act, the record date for determining shareholders entitled to take action without a meeting is the

date the first shareholder signs the consent under this section. No written consent is effective to take the corporate action referred to therein unless written consents signed by all shareholders entitled to vote on the action are received by the corporation. A written consent may be revoked by a writing to that effect received by the corporation prior to receipt by the corporation of unrevoked written consents signed by all shareholders entitled to vote on the action. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

Section 90. If this Act requires that notice of proposed action be given to nonvoting shareholders and the action is to be taken by unanimous consent of the voting shareholders, the corporation shall give its nonvoting shareholders written notice of the proposed action at least ten days before the action is taken. The notice shall contain or be accompanied by the same material that, under this Act, would have been required to be sent to nonvoting shareholders in a notice of meeting at which the proposed action would have been submitted to the shareholders for action.

Section 91. Except for the increase of stock and indebtedness when sixty days' notice is required by S.D. Const., Art. XVII, § 8, a corporation shall notify shareholders of the date, time, and place of each annual and special shareholders' meeting no fewer than ten nor more than sixty days before the meeting date. Unless this Act or the articles of incorporation require otherwise, the corporation is required to give notice only to shareholders entitled to vote at the meeting. Unless this Act or the articles of incorporation require otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. However, notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called. If not otherwise fixed under section 88 or 93 of this Act, the record date for determining shareholders entitled to notice of and to vote at an annual or special shareholders' meeting is the day before the first notice is delivered to shareholders.

Unless the bylaws require otherwise, if an annual or special shareholders' meeting is adjourned

to a different date, time, or place, notice need not be given of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed under section 93 of this Act, notice of the adjourned meeting shall be given under this section to persons who are shareholders as of the new record date.

Section 92. A shareholder may waive any notice required by this Act, the articles of incorporation, or bylaws before or after the date and time stated in the notice. The waiver shall be in writing, shall be signed by the shareholder entitled to the notice, and shall be delivered to the corporation for inclusion in the minutes or filing with the corporate records.

A shareholder's attendance at a meeting:

- (1) Waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting;
- (2) Waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 93. The bylaws may fix or provide the manner of fixing the record date for one or more voting groups in order to determine the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action. If the bylaws do not fix or provide for fixing a record date, the board of directors of the corporation may fix a future date as the record date. A record date fixed under this section may not be more than seventy days before the meeting or action requiring a determination of shareholders. A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the board of directors fixes a new record date, which it must do if the meeting is adjourned to a date more than one hundred twenty days after the date fixed for the original meeting.

If a court orders a meeting adjourned to a date more than one hundred twenty days after the date fixed for the original meeting, it may provide that the original record date continues in effect or it may fix a new record date.

Section 94. At each meeting of shareholders, a chair shall preside. The chair shall be appointed as provided in the bylaws or, in the absence of such provision, by the board. The chair, unless the articles of incorporation or bylaws provide otherwise, shall determine the order of business and may establish rules for the conduct of the meeting. Any rules adopted for, and the conduct of, the meeting shall be fair to shareholders. The chair of the meeting shall announce at the meeting when the polls close for each matter voted upon. If no announcement is made, the polls are deemed to have closed upon the final adjournment of the meeting. After the polls close, no ballots, proxies, or votes nor any revocations or changes thereto may be accepted.

Section 95. After fixing a record date for a meeting, a corporation shall prepare an alphabetical list of the names of all its shareholders who are entitled to notice of a shareholders' meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, a shareholder's agent, or an attorney is entitled on written demand to inspect and, subject to the requirements of section 376 of this Act, to copy the list, during regular business hours and at the person's expense, during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, shareholder's agent, or attorney is entitled to inspect the list at any time during the meeting or any adjournment. If the corporation refuses to allow any shareholder, or the shareholder's agent or attorney to inspect the

shareholders' list before or at the meeting, or copy the list as permitted by this section, the circuit court of the county where a corporation's principal office, or, if none in this state, its registered office, is located, on application of the shareholder, may summarily order the inspection or copying at the corporation's expense and may postpone the meeting for which the list was prepared until the inspection or copying is complete. Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 96. Except as provided in sections 97 and 98 of this Act or unless the articles of incorporation provide otherwise, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a shareholders' meeting. Only shares are entitled to vote.

Section 97. Absent special circumstances, the shares of a corporation are not entitled to vote if they are owned, directly or indirectly, by a second corporation, domestic or foreign, and the first corporation owns, directly or indirectly, a majority of the shares entitled to vote for directors of the second corporation. This section does not limit the power of a corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

Section 98. Redeemable shares are not entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

Section 99. A shareholder may vote the shareholder's shares in person or by proxy. Any shareholder or the shareholder's agent or attorney-in-fact may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, or by an electronic transmission. An electronic transmission shall contain or shall be accompanied by information from which one can determine that the shareholder or the shareholder's agent or attorney-in-fact authorized the transmission.

Section 100. An appointment of a proxy is effective when a signed appointment form or an electronic transmission of the appointment is received by the inspector of election or the officer or agent of the corporation authorized to tabulate votes. An appointment is valid for eleven months unless a longer period is expressly provided in the appointment form.

Section 101. An appointment of a proxy is revocable unless the appointment form or electronic transmission states that it is irrevocable and the appointment is coupled with an interest. Appointments coupled with an interest include the appointment of:

- (1) A pledgee;
- (2) A person who purchased or agreed to purchase the shares;
- (3) A creditor of the corporation who extended it credit under terms requiring the appointment;
- (4) An employee of the corporation whose employment contract requires the appointment;
or
- (5) A party to a voting agreement created under section 115 of this Act.

An appointment made irrevocable under this section is revoked when the interest with which it is coupled is extinguished.

Section 102. The death or incapacity of the shareholder appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises authority under the appointment.

Section 103. A transferee for value of shares subject to an irrevocable appointment may revoke the appointment if the transferee did not know of its existence when the transferee acquired the shares and the existence of the irrevocable appointment was not noted conspicuously on the certificate representing the shares or on the information statement for shares without certificates.

Section 104. Subject to sections 106 and 107 of this Act and to any express limitation on the proxy's authority stated in the appointment form or electronic transmission, a corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment.

Section 105. A corporation may establish a procedure by which the beneficial owner of shares that are registered in the name of a nominee is recognized by the corporation as the shareholder. The extent of this recognition may be determined in the procedure. The procedure may set forth:

- (1) The types of nominees to which it applies;
- (2) The rights or privileges that the corporation recognizes in a beneficial owner;
- (3) The manner in which the procedure is selected by the nominee;
- (4) The information that must be provided when the procedure is selected;
- (5) The period for which selection of the procedure is effective; and
- (6) Other aspects of the rights and duties created.

Section 106. If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation if acting in good faith is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder. If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of its shareholder, the corporation if acting in good faith is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if:

- (1) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity;
- (2) The name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;

- (3) The name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;
- (4) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, or proxy appointment;
- (5) Two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

Section 107. The corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder. The corporation and its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section or section 99 of this Act are not liable in damages to the shareholder for the consequences of the acceptance or rejection. Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section is valid unless a court of competent jurisdiction determines otherwise.

Section 108. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the articles of incorporation or this Act provide otherwise, a majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter. Once a share

is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or this Act require a greater number of affirmative votes. An amendment of articles of incorporation adding, changing, or deleting a quorum or voting requirement for a voting group greater than specified in this section is governed by section 110 of this Act.

Section 109. If the articles of incorporation or this Act provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group as provided in section 108 of this Act. If the articles of incorporation or this Act provide for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately as provided in section 108 of this Act. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

Section 110. The articles of incorporation may provide for a greater quorum or voting requirement for shareholders, or voting groups of shareholders, than is provided for by this Act. An amendment to the articles of incorporation that adds, changes, or deletes a greater quorum or voting requirement shall meet the same quorum requirement and shall be adopted by the same vote and voting groups required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever is greater.

Section 111. Unless otherwise provided in the articles of incorporation, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. Shareholders may cumulate their votes for directors. The right to cumulate votes

for directors means that the shareholders are entitled to multiply the number of votes that they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates.

Section 112. A corporation having any shares listed on a national securities exchange or regularly traded in a market maintained by one or more members of a national or affiliated securities association shall, and any other corporation may, appoint one or more inspectors to act at a meeting of shareholders and make a written report of the inspectors' determinations. Each inspector shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of the inspector's ability. The inspectors shall:

- (1) Ascertain the number of shares outstanding and the voting power of each;
- (2) Determine the shares represented at a meeting;
- (3) Determine the validity of proxies and ballots;
- (4) Count all votes; and
- (5) Determine the result.

An inspector may be an officer or employee of the corporation.

Section 113. One or more shareholders may create a voting trust, conferring on a trustee the right to vote or otherwise act for them, by signing an agreement setting out the provisions of the trust, which may include anything consistent with its purpose, and transferring their shares to the trustee. When a voting trust agreement is signed, the trustee shall prepare a list of the names and addresses of all owners of beneficial interests in the trust, together with the number and class of shares each transferred to the trust, and deliver copies of the list and agreement to the corporation's principal office.

A voting trust becomes effective on the date the first shares subject to the trust are registered in the trustee's name. A voting trust is valid for not more than ten years after its effective date unless

extended under section 114 of this Act.

Section 114. All or some of the parties to a voting trust may extend it for additional terms of not more than ten years each by signing written consent to the extension. An extension is valid for ten years from the date the first shareholder signs the extension agreement. The voting trustee must deliver copies of the extension agreement and list of beneficial owners to the corporation's principal office. An extension agreement binds only those parties signing it.

Section 115. Two or more shareholders may provide for the manner in which they will vote their shares by signing an agreement for this purpose. A voting agreement created under this section is not subject to the provisions of sections 113 and 114 of this Act. A voting agreement created under this section is specifically enforceable.

Section 116. An agreement among the shareholders of a corporation that complies with this section is effective among the shareholders and the corporation even though it is inconsistent with one or more other provisions of this Act in that it:

- (1) Eliminates the board of directors or restricts the discretion or powers of the board of directors;
- (2) Governs the authorization or making of distributions whether or not in proportion to ownership of shares, subject to the limitations in sections 80 to 85, inclusive, of this Act;
- (3) Establishes who shall be directors or officers of the corporation, or their terms of office or manner of selection or removal;
- (4) Governs, in general or in regard to specific matters, the exercise or division of voting power by or between the shareholders and directors or by or among any of them, including use of weighted voting rights or director proxies;
- (5) Establishes the terms and conditions of any agreement for the transfer or use of property or the provision of services between the corporation and any shareholder, director, officer,

or employee of the corporation or among any of them;

- (6) Transfers to one or more shareholders or other persons all or part of the authority to exercise the corporate powers or to manage the business and affairs of the corporation, including the resolution of any issue about which there exists a deadlock among directors or shareholders;
- (7) Requires dissolution of the corporation at the request of one or more of the shareholders or upon the occurrence of a specified event or contingency; or
- (8) Otherwise governs the exercise of the corporate powers or the management of the business and affairs of the corporation or the relationship among the shareholders, the directors, and the corporation, or among any of them, and is not contrary to public policy.

Section 117. Any agreement authorized by section 116 of this Act shall be:

- (1) Set forth in the articles of incorporation or bylaws and approved by all persons who are shareholders at the time of the agreement, or in a written agreement that is signed by all persons who are shareholders at the time of the agreement and is made known to the corporation;
- (2) Subject to amendment only by all persons who are shareholders at the time of the amendment, unless the agreement provides otherwise; and
- (3) Valid for ten years, unless the agreement provides otherwise.

Section 118. The existence of an agreement authorized by section 116 of this Act shall be noted conspicuously on the front or back of each certificate for outstanding shares or on the information statement required by section 73 of this Act. If, at the time of the agreement, the corporation has shares outstanding represented by certificates, the corporation shall recall the outstanding certificates and issue substitute certificates that comply with this section. The failure to note the existence of the agreement on the certificate or information statement does not affect the validity of the agreement

or any action taken pursuant to it. Any purchaser of shares who, at the time of purchase, did not have knowledge of the existence of the agreement is entitled to rescission of the purchase. A purchaser is deemed to have knowledge of the existence of the agreement if its existence is noted on the certificate or information statement for the shares in compliance with this section and, if the shares are not represented by a certificate, the information statement is delivered to the purchaser at or prior to the time of purchase of the shares. An action to enforce the right of rescission authorized by this section must be commenced within the earlier of ninety days after discovery of the existence of the agreement or two years after the time of purchase of the shares.

Section 119. An agreement authorized by section 116 of this Act shall cease to be effective when shares of the corporation are listed on a national securities exchange or regularly traded in a market maintained by one or more members of a national or affiliated securities association. If the agreement ceases to be effective for any reason, the board of directors may, if the agreement is contained or referred to in the corporation's articles of incorporation or bylaws, adopt an amendment to the articles of incorporation or bylaws, without shareholder action, to delete the agreement and any references to it.

Section 120. An agreement authorized by section 116 of this Act that limits the discretion or powers of the board of directors shall relieve the directors of, and impose upon the person or persons in whom such discretion or powers are vested, liability for acts or omissions imposed by law on directors to the extent that the discretion or powers of the directors are limited by the agreement.

Section 121. The existence or performance of an agreement authorized by section 116 of this Act is not a ground for imposing personal liability on any shareholder for the acts or debts of the corporation even if the agreement or its performance treats the corporation as if it were a partnership or results in failure to observe the corporate formalities otherwise applicable to the matters governed by the agreement.

Section 122. Incorporators or subscribers for shares may act as shareholders with respect to an agreement authorized by section 116 of this Act if no shares have been issued when the agreement is made.

Section 123. Terms used in sections 124 to 135, inclusive, of this Act mean:

- (1) "Derivative proceeding," a civil suit in the right of a domestic corporation or, to the extent provided in section 135 of this Act, in the right of a foreign corporation;
- (2) "Shareholder," includes a beneficial owner whose shares are held in a voting trust or held by a nominee on the beneficial owner's behalf.

Section 124. No shareholder may commence or maintain a derivative proceeding unless the shareholder:

- (1) Was a shareholder of the corporation at the time of the act or omission complained of or became a shareholder through transfer by operation of law from one who was a shareholder at that time; and
- (2) Fairly and adequately represents the interests of the corporation in enforcing the right of the corporation.

Section 125. No shareholder may commence a derivative proceeding until:

- (1) A written demand has been made upon the corporation to take suitable action; and
- (2) Ninety days have expired from the date the demand was made unless the shareholder has earlier been notified that the demand has been rejected by the corporation or unless irreparable injury to the corporation would result by waiting for the expiration of the ninety-day period.

Section 126. If the corporation commences an inquiry into the allegations made in the demand or complaint, the court may stay any derivative proceeding for such period as the court deems appropriate.

Section 127. A derivative proceeding shall be dismissed by the court on motion by the corporation if one of the groups specified in sections 128 or 132 of this Act has determined in good faith after conducting a reasonable inquiry upon which its conclusions are based that the maintenance of the derivative proceeding is not in the best interests of the corporation.

Section 128. Unless a panel is appointed pursuant to section 132 of this Act, the determination in section 127 of this Act shall be made by:

- (1) A majority vote of independent directors present at a meeting of the board of directors if the independent directors constitute a quorum; or
- (2) A majority vote of a committee consisting of two or more independent directors appointed by majority vote of independent directors present at a meeting of the board of directors, whether or not such independent directors constituted a quorum.

Section 129. None of the following is, by itself, cause for a director to be considered not independent for purposes of sections 127 to 132, inclusive, of this Act:

- (1) The nomination or election of the director by persons who are defendants in the derivative proceeding or against whom action is demanded;
- (2) The naming of the director as a defendant in the derivative proceeding or as a person against whom action is demanded; or
- (3) The approval by the director of the act being challenged in the derivative proceeding or demand if the act resulted in no personal benefit to the director.

Section 130. If a derivative proceeding is commenced after a determination has been made rejecting a demand by a shareholder, the complaint shall allege with particularity facts establishing either (1) that a majority of the board of directors did not consist of independent directors at the time the determination was made, or (2) that the requirements of section 127 of this Act have not been met.

Section 131. If a majority of the board of directors does not consist of independent directors at the time the determination is made, the corporation shall have the burden of proving that the requirements of section 127 of this Act have been met. If a majority of the board of directors consists of independent directors at the time the determination is made, the plaintiff has the burden of proving that the requirements of section 127 of this Act have not been met.

Section 132. The court may appoint a panel of one or more independent persons upon motion by the corporation to make a determination whether the maintenance of the derivative proceeding is in the best interests of the corporation. In such case, the plaintiff has the burden of proving that the requirements of section 127 of this Act have not been met.

Section 133. A derivative proceeding may not be discontinued or settled without the court's approval. If the court determines that a proposed discontinuance or settlement will substantially affect the interests of the corporation's shareholders or a class of shareholders, the court shall direct that notice be given to the shareholders affected.

Section 134. On termination of the derivative proceeding the court may:

- (1) Order the corporation to pay the plaintiff's reasonable expenses, including counsel fees, incurred in the proceeding if it finds that the proceeding has resulted in a substantial benefit to the corporation;
- (2) Order the plaintiff to pay any defendant's reasonable expenses, including counsel fees, incurred in defending the proceeding if it finds that the proceeding was commenced or maintained without reasonable cause or for an improper purpose; or
- (3) Order a party to pay an opposing party's reasonable expenses, including counsel fees, incurred because of the filing of a pleading, motion or other paper, if it finds that the pleading, motion, or other paper was not well grounded in fact, after reasonable inquiry, or warranted by existing law or a good faith argument for the extension, modification, or

reversal of existing law and was interposed for an improper purpose, such as to harass or cause unnecessary delay or needless increase in the cost of litigation.

Section 135. In any derivative proceeding in the right of a foreign corporation, the matters covered by sections 123 to 135, inclusive, of this Act shall be governed by the laws of the jurisdiction of incorporation of the foreign corporation except for sections 126, 133, and 134 of this Act.

Section 136. Except as provided in sections 116 to 122, inclusive, of this Act, each corporation must have a board of directors. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed by or under the direction of, its board of directors, subject to any limitation set forth in the articles of incorporation or in an agreement authorized under section 116 of this Act.

Section 137. The articles of incorporation or bylaws may prescribe qualifications for directors. A director need not be a resident of this state or a shareholder of the corporation unless the articles of incorporation or bylaws so prescribe.

Section 138. A board of directors must consist of one or more individuals, with the number specified in or fixed in accordance with the articles of incorporation or bylaws. The number of directors may be increased or decreased from time to time by amendment to, or in the manner provided in, the articles of incorporation or the bylaws. Directors are elected at the first annual shareholders' meeting and at each annual meeting thereafter unless their terms are staggered under section 141 of this Act.

Section 139. If the articles of incorporation authorize dividing the shares into classes, the articles may also authorize the election of all or a specified number of directors by the holders of one or more authorized classes of shares. A class of shares entitled to elect one or more directors is a separate voting group for purposes of the election of directors.

Section 140. The terms of the initial directors of a corporation expire at the first shareholders' meeting at which directors are elected. The term of any other director expires at the next annual shareholders' meeting following the director's election unless the terms of the directors are staggered under section 141 of this Act. A decrease in the number of directors does not shorten an incumbent director's term. The term of a director elected to fill a vacancy expires at the next shareholders' meeting at which directors are elected. Despite the expiration of a director's term, a director continues to serve until a successor is elected and qualifies or until there is a decrease in the number of directors.

Section 141. The articles of incorporation may provide for staggering the terms of directors by dividing the total number of directors into two or three groups, with each group containing as close to one-half or one-third of the total as possible. In that event, the terms of directors in the first group expire at the first annual shareholders' meeting after their election, the terms of the second group expire at the second annual shareholders' meeting after their election, and the terms of the third group, if any, expire at the third annual shareholders' meeting after their election. At each annual shareholders' meeting held thereafter, directors shall be chosen for a term of two years or three years, as the case may be, to succeed those whose terms expire.

Section 142. A director may resign at any time by delivering written notice to the board of directors, or its chair, or to the corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

Section 143. The shareholders may remove one or more directors, with or without cause, unless the articles of incorporation provide that directors may be removed only for cause. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove that director.

If cumulative voting is authorized, a director may not be removed if the number of votes

sufficient to elect that director under cumulative voting is voted against removal. If cumulative voting is not authorized, a director may be removed only if the number of votes cast to remove that director exceeds the number of votes cast not to remove that director.

A director may be removed by the shareholders only at a meeting called for the purpose of removing that director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

Section 144. The circuit court of the county where a corporation's principal office, or, if none in this state, its registered office, is located may remove a director of the corporation from office in a proceeding commenced by or in the right of the corporation if the court finds that (1) the director engaged in fraudulent conduct with respect to the corporation or its shareholders, grossly abused the position of director, or intentionally inflicted harm on the corporation; and (2) considering the director's course of conduct and the inadequacy of other available remedies, removal would be in the best interest of the corporation.

A shareholder proceeding on behalf of the corporation under this section shall comply with all of the requirements of sections 123 to 135, inclusive, of this Act, except subdivision (1) of section 124 of this Act.

The court, in addition to removing the director, may bar the director from reelection for a period prescribed by the court. Nothing in this section limits the equitable powers of the court to order other relief.

Section 145. Unless the articles of incorporation provide otherwise, if a vacancy occurs on a board of directors, including a vacancy resulting from an increase in the number of directors:

- (1) The shareholders may fill the vacancy;
- (2) The board of directors may fill the vacancy; or
- (3) If the directors remaining in office constitute fewer than a quorum of the board, they may

fill the vacancy by the affirmative vote of a majority of all the directors remaining in office.

If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group are entitled to vote to fill the vacancy if it is filled by the shareholders.

A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date under section 142 of this Act or otherwise, may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

Section 146. Unless the articles of incorporation or bylaws provide otherwise, the board of directors may fix the compensation of directors.

Section 147. The board of directors may hold regular or special meetings in or out of this state. Unless the articles of incorporation or bylaws provide otherwise, the board of directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 148. Except to the extent that the articles of incorporation or bylaws require that action by the board of directors be taken at a meeting, action required or permitted by this Act to be taken by the board of directors may be taken without a meeting if each director signs a consent describing the action to be taken and delivers it to the corporation.

Action taken under this section is the act of the board of directors when one or more consents signed by all the directors are delivered to the corporation. The consent may specify the time at which the action taken thereunder is to be effective. A director's consent may be withdrawn by a revocation signed by the director and delivered to the corporation prior to delivery to the corporation

of unrevoked written consents signed by all the directors.

A consent signed under this section has the effect of action taken at a meeting of the board of directors and may be described as such in any document.

Section 149. Unless the articles of incorporation or bylaws provide otherwise, regular meetings of the board of directors may be held without notice of the date, time, place, or purpose of the meeting.

Unless the articles of incorporation or bylaws provide for a longer or shorter period, special meetings of the board of directors must be preceded by at least two days' notice of the date, time, and place of the meeting. The notice need not describe the purpose of the special meeting unless required by the articles of incorporation or bylaws.

Section 150. A director may waive any notice required by this Act, the articles of incorporation, or bylaws before or after the date and time stated in the notice. Except as provided by this section, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records.

A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 151. Unless the articles of incorporation or bylaws require a greater number or unless otherwise specifically provided in this Act, a quorum of a board of directors consists of:

- (1) A majority of the fixed number of directors if the corporation has a fixed board size; or
- (2) A majority of the number of directors prescribed, or if no number is prescribed the number in office immediately before the meeting begins, if the corporation has a variable-range size board.

The articles of incorporation or bylaws may authorize a quorum of a board of directors to consist of no fewer than one-third of the fixed or prescribed number of directors determined under this section. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the board of directors unless the articles of incorporation or bylaws require the vote of a greater number of directors.

Section 152. A director who is present at a meeting of the board of directors or a committee of the board of directors when corporate action is taken is deemed to have assented to the action taken unless:

- (1) The director objects at the beginning of the meeting, or promptly upon arrival, to holding it or transacting business at the meeting;
- (2) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or
- (3) The director delivers written notice of dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting.

The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 153. Unless this Act, the articles of incorporation, or the bylaws provide otherwise, a board of directors may create one or more committees and appoint one or more members of the board of directors to serve on any such committee. Unless the provisions of this Act otherwise provides, the creation of a committee and appointment of members to it must be approved by the greater of a majority of all the directors in office when the action is taken or the number of directors required by the articles of incorporation or bylaws to take action under section 152 of this Act.

Sections 147 to 152, inclusive, of this Act apply both to committees of the board and to their

members.

Section 154. To the extent specified by the board of directors or in the articles of incorporation or bylaws, each committee may exercise the powers of the board of directors under section 136 of this Act. However, a committee may not:

- (1) Authorize or approve distributions, except according to a formula or method, or within limits, prescribed by the board of directors;
- (2) Approve or propose to shareholders action that this Act requires be approved by shareholders;
- (3) Fill vacancies on the board of directors or, subject to section 156 of this Act, on any of its committees; or
- (4) Adopt, amend, or repeal bylaws.

Section 155. The creation of, delegation of authority to, or action by, a committee does not alone constitute compliance by a director with the standards of conduct described in sections 157 and 158 of this Act.

Section 156. The board of directors may appoint one or more directors as alternate members of any committee to replace any absent or disqualified member during the member's absence or disqualification. Unless the articles of incorporation or the bylaws or the resolution creating the committee provide otherwise, in the event of the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, unanimously, may appoint another director to act in place of the absent or disqualified member.

Section 157. Each member of the board of directors, when discharging the duties of a director, shall act in good faith and in a manner the director reasonably believes to be in the best interests of the corporation. The members of the board of directors or a committee of the board, when becoming informed in connection with their decision-making function or devoting attention to their oversight

function, shall discharge their duties with the care that a person in a like position would reasonably believe appropriate under similar circumstances.

Section 158. In discharging board or committee duties, a director, who does not have knowledge that makes reliance unwarranted, is entitled to rely on the performance by any of the persons specified in subdivision (1) or subdivision (3) to whom the board may have delegated, formally or informally by course of conduct, the authority or duty to perform one or more of the board's functions that are delegable under applicable law.

In discharging board or committee duties, a director, who does not have knowledge that makes reliance unwarranted, is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following persons specified in subdivisions (1) to (3), inclusive.

A director is entitled to rely, in accordance with this section, on:

- (1) One or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports, or statements provided;
- (2) Legal counsel, public accountants, or other persons retained by the corporation as to matters involving skills or expertise the director reasonably believes are matters within the particular person's professional or expert competence or as to which the particular person merits confidence; or
- (3) A committee of the board of directors of which the director is not a member if the director reasonably believes the committee merits confidence.

Section 159. A director is not liable to the corporation or its shareholders for any decision to take or not to take action, or any failure to take any action, as a director, unless the party asserting liability in a proceeding establishes that:

- (1) Any provision in the articles of incorporation authorized by subdivision (4) of section 29 of this Act or the protection afforded by sections 184 and 185 of this Act for action taken in compliance with sections 186 to 189, inclusive, of this Act or sections 190 to 193, inclusive of this Act, if interposed as a bar to the proceeding by the director, does not preclude liability; and
- (2) The challenged conduct consisted or was the result of:
 - (a) Action not in good faith; or
 - (b) A decision:
 - (i) Which the director did not reasonably believe to be in the best interests of the corporation; or
 - (ii) As to which the director was not informed to an extent the director reasonably believed appropriate in the circumstances; or
 - (c) A lack of objectivity due to the director's familial, financial, or business relationship with, or a lack of independence due to the director's domination or control by, another person having a material interest in the challenged conduct:
 - (i) Which relationship or which domination or control could reasonably be expected to have affected the director's judgment respecting the challenged conduct in a manner adverse to the corporation; and
 - (ii) After a reasonable expectation to such effect has been established, the director has not established that the challenged conduct was reasonably believed by the director to be in the best interests of the corporation; or
 - (d) A sustained failure of the director to devote attention to ongoing oversight of the business and affairs of the corporation, or a failure to devote timely attention, by making, or causing to be made, appropriate inquiry, when particular facts and

circumstances of significant concern materialize that would alert a reasonably attentive director to the need therefor; or

- (e) Receipt of a financial benefit to which the director was not entitled or any other breach of the director's duties to deal fairly with the corporation and its shareholders that is actionable under applicable law.

Section 160. The party seeking to hold the director liable:

- (1) For money damages, also has the burden of establishing that:
 - (a) Harm to the corporation or its shareholders has been suffered; and
 - (b) The harm suffered was proximately caused by the director's challenged conduct;or
- (2) For other money payment under a legal remedy, such as compensation for the unauthorized use of corporate assets, also has whatever persuasion burden may be called for to establish that the payment sought is appropriate in the circumstances; or
- (3) For other money payment under an equitable remedy, such as profit recovery by or disgorgement to the corporation, also has whatever persuasion burden may be called for to establish that the equitable remedy sought is appropriate in the circumstances.

Section 161. Nothing contained in sections 159 and 160 of this Act:

- (1) In any instance where fairness is at issue, such as consideration of the fairness of a transaction to the corporation under subdivision (3) of section 185 of this Act, alters the burden of proving the fact or lack of fairness otherwise applicable;
- (2) Alters the fact or lack of liability of a director under another section of this Act, such as the provisions governing the consequences of an unlawful distribution under sections 162 and 163 of this Act, or a transactional interest under sections 184 and 185 of this Act; or
- (3) Affects any rights to which the corporation or a shareholder may be entitled under another

statute of this state or the United States.

Section 162. A director who votes for or assents to a distribution in excess of what may be authorized and made pursuant to section 80 or 326 of this Act is personally liable to the corporation for the amount of the distribution that exceeds what could have been distributed without violating section 80 or 326 of this Act if the party asserting liability establishes that when taking the action the director did not comply with sections 157 and 158 of this Act. A proceeding to enforce the liability of a director under this section is barred unless it is commenced within two years after the date:

- (1) On which the effect of the distribution was measured under section 82 or 84 of this Act;
- (2) As of which the violation of section 80 of this Act occurred as the consequence of disregard of a restriction in the articles of incorporation; or
- (3) On which the distribution of assets to shareholders under section 326 of this Act was made.

Section 163. A director held liable under section 162 of this Act for an unlawful distribution is entitled to:

- (1) Contribution from every other director who could be held liable under section 162 of this Act for the unlawful distribution; and
- (2) Recoupment from each shareholder of the pro-rata portion of the amount of the unlawful distribution the shareholder accepted, knowing the distribution was made in violation of section 80 or 326 of this Act.

A proceeding to enforce contribution or recoupment under this section is barred unless it is commenced within one year after the liability of the claimant has been finally adjudicated under section 162 of this Act.

Section 164. A corporation has the officers described in its bylaws or appointed by the board of directors in accordance with the bylaws. The board of directors may elect individuals to fill one or

more offices of the corporation. An officer may appoint one or more officers if authorized by the bylaws or the board of directors. The bylaws or the board of directors shall assign to one of the officers responsibility for preparing the minutes of the directors' and shareholders' meetings and for maintaining and authenticating the records of the corporation required to be kept under sections 371 and 372 of this Act. The same individual may simultaneously hold more than one office in a corporation.

Section 165. Each officer has the authority, and shall perform the duties, set forth in the bylaws or, to the extent consistent with the bylaws, the duties prescribed by the board of directors or by direction of an officer authorized by the board of directors to prescribe the duties of other officers.

Section 166. An officer, when performing in such capacity, shall act:

- (1) In good faith;
- (2) With the care that a person in a like position would reasonably exercise under similar circumstances; and
- (3) In a manner the officer reasonably believes to be in the best interests of the corporation.

Section 167. In discharging those duties, an officer, who does not have knowledge that makes reliance unwarranted, is entitled to rely on:

- (1) The performance of properly delegated responsibilities by one or more employees of the corporation whom the officer reasonably believes to be reliable and competent in performing the responsibilities delegated; or
- (2) Information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more employees of the corporation whom the officer reasonably believes to be reliable and competent in the matters presented or by legal counsel, public accountants, or other persons retained by the corporation as to matters involving skills or expertise the officer reasonably believes are matters within the

particular person's professional or expert competence or as to which the particular person merits confidence.

Section 168. An officer is not liable to the corporation or its shareholders for any decision to take or not to take action, or any failure to take any action, as an officer, if the duties of the office are performed in compliance with sections 166 and 167 of this Act. Whether an officer who does not comply with this section is liable depends in such instance on applicable law, including those principles of sections 159 to 161, inclusive, of this Act that have relevance.

Section 169. An officer may resign at any time by delivering notice to the corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective time. If a resignation is made effective at a later time and the board or the appointing officer accepts the future effective time, the board or the appointing officer may fill the pending vacancy before the effective time if the board or the appointing officer provides that the successor does not take office until the effective time.

An officer may be removed at any time with or without cause by the board of directors; the officer who appointed such officer, unless the bylaws or the board of directors provide otherwise; or any other officer if authorized by the bylaws or the board of directors.

In this section, the term, appointing officer, means the officer, including any successor to that officer, who appointed the officer resigning or being removed.

Section 170. The appointment of an officer does not itself create contract rights. An officer's removal does not affect the officer's contract rights, if any, with the corporation. An officer's resignation does not affect the corporation's contract rights, if any, with the officer.

Section 171. Terms used in sections 171 to 182, inclusive, of this Act, mean:

- (1) "Corporation," includes any domestic or foreign predecessor entity of a corporation in a merger;

- (2) "Director" or "officer," an individual who is or was a director or officer, respectively, of a corporation or who, while a director or officer of the corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another domestic or foreign corporation, partnership, joint venture, trust, employee benefit plan, or other entity. A director or officer is considered to be serving an employee benefit plan at the corporation's request if any duties to the corporation also impose duties on, or otherwise involve services by, the director or officer to the plan or to participants in or beneficiaries of the plan. The term, director or officer, includes, unless the context requires otherwise, the estate or personal representative of a director or officer;
- (3) "Disinterested director," a director who, at the time of a vote referred to in section 176 of this Act or a vote or selection referred to in section 179 of this Act, is not a party to the proceeding, or an individual having a familial, financial, professional or employment relationship with the director whose indemnification or advance for expenses is the subject of the decision being made, which relationship would, in the circumstances, reasonably be expected to exert an influence on the director's judgment when voting on the decision being made;
- (4) "Expenses," includes counsel fees;
- (5) "Liability," the obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding;
- (6) "Official capacity," when used with respect to a director, the office of director in a corporation; and when used with respect to an officer, as contemplated in section 179 of this Act, the office in a corporation held by the officer. Official capacity does not include service for any other domestic or foreign corporation or any partnership, joint venture,

trust, employee benefit plan, or other entity;

- (7) "Party," an individual who was, is, or is threatened to be made, a defendant or respondent in a proceeding;
- (8) "Proceeding," any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative and whether formal or informal.

Section 172. Except as otherwise provided in section 173 of this Act, a corporation may indemnify a director who is a party to a proceeding by reason of being a director, against liability incurred in the proceeding if the director:

- (1) Acted in good faith; and
- (2) Reasonably believed:
 - (a) In the case of conduct in an official capacity, that the conduct was in the best interests of the corporation; and
 - (b) In all other cases, that the conduct was at least not opposed to the best interests of the corporation; and
- (3) In the case of any criminal proceeding, had no reasonable cause to believe the conduct was unlawful.

A corporation may also, except as provided in section 173 of this Act, indemnify a director who is a party to a proceeding against liability incurred in the proceeding if the director engaged in conduct for which broader indemnification has been made permissible or obligatory under a provision of the articles of incorporation, as authorized by subdivision (5) of section 29 of this Act.

A director's conduct with respect to an employee benefit plan for a purpose the director reasonably believed to be in the interests of the participants in, and the beneficiaries of, the plan is conduct that satisfies the requirement of subsection (2)(b).

The termination of a proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, is not, of itself, determinative that the director did not meet the relevant standard of conduct described in this section.

Section 173. Unless ordered by a court under subdivision (3) of section 177 of this Act, a corporation may not indemnify a director:

- (1) In connection with a proceeding by or in the right of the corporation, except for reasonable expenses incurred in connection with the proceeding if it is determined that the director has met the relevant standard of conduct under section 172 of this Act; or
- (2) In connection with any proceeding with respect to conduct for which the director was adjudged liable on the basis that the director received a financial benefit to which the director was not entitled, whether or not involving action in the director's official capacity.

Section 174. A corporation shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party by reason of being a director of the corporation, against reasonable expenses incurred in connection with the proceeding.

Section 175. A corporation may, before final disposition of a proceeding, advance funds to pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding by reasons of being a director if the director delivers to the corporation:

- (1) A written affirmation of the director's good faith belief that the director has met the relevant standard of conduct described in section 172 of this Act or that the proceeding involves conduct for which liability has been eliminated under a provision of the articles of incorporation as authorized by subdivision (4) of section 29 of this Act; and
- (2) The director's written undertaking to repay any funds advanced if the director is not entitled to mandatory indemnification under section 174 of this Act and it is ultimately

determined under section 177 or section 178 of this Act that the director has not met the relevant standard of conduct described in section 172 of this Act.

The undertaking required by subdivision (2) must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to the financial ability of the director to make repayment.

Section 176. Authorizations under section 175 of this Act shall be made:

- (1) By the board of directors:
 - (a) If there are two or more disinterested directors, by a majority vote of all the disinterested directors, a majority of whom shall for such purpose constitute a quorum, or by a majority of the members of a committee of two or more disinterested directors appointed by such a vote; or
 - (b) If there are fewer than two disinterested directors, by the vote necessary for action by the board in accordance with section 151 of this Act, in which authorization directors who do not qualify as disinterested directors may participate; or
- (2) By the shareholders, but shares owned by or voted under the control of a director who at the time does not qualify as a disinterested director may not be voted, on the authorization.

Section 177. A director who is a party to a proceeding by reason of being a director may apply for indemnification or an advance for expenses to the court conducting the proceeding or to another court of competent jurisdiction. After receipt of an application and after giving any notice it considers necessary, the court shall:

- (1) Order indemnification if the court determines that the director is entitled to mandatory indemnification under section 174 of this Act;
- (2) Order indemnification or advance for expenses if the court determines that the director

is entitled to indemnification or advance for expenses pursuant to a provision authorized by section 181 of this Act; or

- (3) Order indemnification or advance for expenses if the court determines, in view of all the relevant circumstances, that it is fair and reasonable to:
 - (a) Indemnify the director, or
 - (b) Advance expenses to the director, even if the director has not met the relevant standard of conduct set forth in section 172 of this Act, failed to comply with sections 175 and 176 of this Act, or was adjudged liable in a proceeding referred to in subdivision (1) or (2) of section 173 of this Act, but if the director was adjudged so liable the indemnification is limited to reasonable expenses incurred in connection with the proceeding.

If the court determines that the director is entitled to indemnification under subdivision (1) or to indemnification or advance for expenses under subdivision (2), the court shall also order the corporation to pay the director's reasonable expenses incurred in connection with obtaining court-ordered indemnification or advance for expenses. If the court determines that the director is entitled to indemnification or advance for expenses under subdivision (3), the court may also order the corporation to pay the director's reasonable expenses to obtain court-ordered indemnification or advance for expenses.

Section 178. A corporation may not indemnify a director under sections 172 and 173 of this Act unless authorized for a specific proceeding after a determination has been made that indemnification of the director is permissible because the director has met the relevant standard of conduct set forth in section 172 of this Act.

The determination shall be made:

- (1) If there are two or more disinterested directors, by the board of directors by a majority

vote of all the disinterested directors, a majority of whom shall for such purpose constitute a quorum, or by a majority of the members of a committee of two or more disinterested directors appointed by such a vote;

- (2) By special legal counsel:
 - (a) Selected in the manner prescribed in subdivision (1); or
 - (b) If there are fewer than two disinterested directors, selected by the board of directors, in which selection directors who do not qualify as disinterested directors may participate; or
- (3) By the shareholders, but shares owned by or voted under the control of a director who at the time does not qualify as a disinterested director may not be voted, on the determination.

Authorization of indemnification shall be made in the same manner as the determination that indemnification is permissible. However, if there are fewer than two disinterested directors or if the determination is made by special legal counsel, authorization of indemnification shall be made by those entitled under subsection (2)(b) to select special legal counsel.

Section 179. A corporation may indemnify and advance expenses under sections 171 to 182, inclusive, of this Act to an officer of the corporation who is a party to a proceeding by reason of being an officer of the corporation:

- (1) To the same extent as a director; and
- (2) If the officer is not also a director, to such further extent as may be provided by the articles of incorporation, the bylaws, a resolution of the board of directors, or contract except for:
 - (a) Liability in connection with a proceeding by or in the right of the corporation other than for reasonable expenses incurred in connection with the proceeding; or

- (b) Liability arising out of conduct that constitutes:
 - (i) Receipt of a financial benefit to which the officer is not entitled;
 - (ii) An intentional infliction of harm on the corporation or the shareholders; or
 - (iii) An intentional violation of criminal law.

The provisions of subdivision (2) apply to an officer who is also a director if the basis on which the officer is made a party to the proceeding is an act or omission solely as an officer.

An officer of a corporation who is not also a director is entitled to mandatory indemnification under section 174 of this Act, and may apply to a court under section 177 of this Act for indemnification or an advance for expenses, in each case to the same extent to which a director may be entitled to indemnification or advance for expenses under those provisions.

Section 180. A corporation may purchase and maintain insurance on behalf of an individual who is a director or officer of the corporation, or who, while a director or officer of the corporation, serves at the corporation's request as a director, officer, partner, trustee, employee, or agent of another domestic or foreign corporation, partnership, joint venture, trust, employee benefit plan, or other entity, against liability asserted against or incurred by the individual in that capacity or arising from the individual's status as a director or officer, whether or not the corporation would have power to indemnify or advance expenses to the director or officer against the same liability under sections 171 to 182, inclusive, of this Act.

Section 181. A corporation may, by a provision in its articles of incorporation or bylaws or in a resolution adopted or a contract approved by its board of directors or shareholders, obligate itself in advance of the act or omission giving rise to a proceeding to provide indemnification in accordance with sections 172 and 173 of this Act or advance funds to pay for or reimburse expenses in accordance with sections 175 and 176 of this Act. Any such obligatory provision shall be deemed to satisfy the requirements for authorization referred to in sections 176 and 178 of this Act. Any such

provision that obligates the corporation to provide indemnification to the fullest extent permitted by law shall be deemed to obligate the corporation to advance funds to pay for or reimburse expenses in accordance with sections 175 and 176 of this Act to the fullest extent permitted by law, unless the provision specifically provides otherwise.

Any provision pursuant to this section does not obligate the corporation to indemnify or advance expenses to a director of a predecessor of the corporation, pertaining to conduct with respect to the predecessor, unless otherwise specifically provided. Any provision for indemnification or advance for expenses in the articles of incorporation, bylaws, or a resolution of the board of directors or shareholders of a predecessor of the corporation in a merger or in a contract to which the predecessor is a party, existing at the time the merger takes effect, is governed by subdivision (4) of section 265 of this Act.

A corporation may, by a provision in its articles of incorporation, limit any of the rights to indemnification or advance for expenses created by or pursuant to sections 171 to 182, inclusive, of this Act. The provisions of sections 171 to 182, inclusive, of this Act do not limit a corporation's power to pay or reimburse expenses incurred by a director or an officer in connection with an appearance as a witness in a proceeding if the director or officer is not a party.

The provisions of sections 171 to 182, inclusive, of this Act do not limit a corporation's power to indemnify, advance expenses to, or provide or maintain insurance on behalf of, an employee or agent.

Section 182. A corporation may provide indemnification or advance expenses to a director or an officer only as permitted by sections 171 to 182, inclusive, of this Act.

Section 183. Terms used in sections 183 to 193, inclusive, of this Act mean:

- (1) "Conflicting interest," with respect to a corporation, the interest a director of the corporation has respecting a transaction effected or proposed to be effected by the

corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest, if:

- (a) Whether or not the transaction is brought before the board of directors of the corporation for action, the director knows at the time of commitment that the director or a related person is a party to the transaction or has a beneficial financial interest in or so closely linked to the transaction and of such financial significance to the director or a related person that the interest would reasonably be expected to exert an influence on the director's judgment if the director were called upon to vote on the transaction; or
 - (b) The transaction is brought, or is of such character and significance to the corporation that it would in the normal course be brought, before the board of directors of the corporation for action, and the director knows at the time of commitment that any of the following persons is either a party to the transaction or has a beneficial financial interest in or so closely linked to the transaction and of such financial significance to the person that the interest would reasonably be expected to exert an influence on the director's judgment if the director were called upon to vote on the transaction: (i) an entity, other than the corporation, of which the director is a director, general partner, agent, or employee; (ii) a person that controls one or more of the entities specified in (i) or an entity that is controlled by, or is under common control with, one or more of the entities specified in (i); or (iii) an individual who is a general partner, principal, or employer of the director;
- (2) "Director's conflicting interest transaction," with respect to a corporation, a transaction effected or proposed to be effected by the corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest,

respecting which a director of the corporation has a conflicting interest;

- (3) "Related person," of a director: (i) the spouse, or a parent or sibling thereof, of the director, or a child, grandchild, sibling, parent, or spouse of any thereof, of the director, or an individual having the same home as the director, or a trust or estate of which an individual specified in this definition is a substantial beneficiary; or (ii) a trust, estate, incompetent, conservatee, or minor of which the director is a fiduciary;
- (4) "Required disclosure," disclosure by the director who has a conflicting interest of (i) the existence and nature of the conflicting interest, and (ii) all facts known to the director respecting the subject matter of the transaction that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not to proceed with the transaction;
- (5) "Time of commitment," respecting a transaction, the time when the transaction is consummated or, if made pursuant to contract, the time when the corporation, or its subsidiary or the entity in which it has a controlling interest, becomes contractually obligated so that its unilateral withdrawal from the transaction would entail significant loss, liability, or other damage.

Section 184. A transaction effected or proposed to be effected by a corporation, or by a subsidiary of the corporation or any other entity in which the corporation has a controlling interest, that is not a director's conflicting interest transaction, may not be enjoined, set aside, or give rise to an award of damages or other sanctions, in a proceeding by a shareholder or by or in the right of the corporation, because a director of the corporation, or any person with whom or which the director has a personal, economic, or other association, has an interest in the transaction.

Section 185. A director's conflicting interest transaction may not be enjoined, set aside, or give rise to an award of damages or other sanctions, in a proceeding by a shareholder or by or in the right

of the corporation, because the director, or any person with whom or which the director has a personal, economic, or other association, has an interest in the transaction, if:

- (1) Directors' action respecting the transaction was at any time taken in compliance with sections 186 to 189, inclusive, of this Act;
- (2) Shareholders' action respecting the transaction was at any time taken in compliance with sections 190 to 193, inclusive of this Act; or
- (3) The transaction, judged according to the circumstances at the time of commitment, is established to have been fair to the corporation.

Section 186. Directors' action respecting a transaction is effective for purposes of subdivision (1) of section 185 of this Act if the transaction received the affirmative vote of a majority, but no fewer than two, of those qualified directors on the board of directors or on a duly empowered committee of the board who voted on the transaction after either required disclosure to them, to the extent the information was not known by them, or compliance with section 185 of this Act. However, action by a committee is so effective only if:

- (1) All its members are qualified directors; and
- (2) Its members are either all the qualified directors on the board or are appointed by the affirmative vote of a majority of the qualified directors on the board.

Section 187. If a director has a conflicting interest respecting a transaction, but neither the director nor a related person of the director specified in subsection (3)(i) of section 183 of this Act is a party to the transaction, and if the director has a duty under law or professional canon, or a duty of confidentiality to another person, respecting information relating to the transaction such that the director may not make the disclosure described in subsection (4)(ii) of section 183 of this Act, then disclosure is sufficient for purposes of section 186 of this Act if the director:

- (1) Discloses to the directors voting on the transaction the existence and nature of the

conflicting interest and informs them of the character and limitations imposed by that duty before their vote on the transaction; and

- (2) Plays no part, directly or indirectly, in their deliberations or vote.

Section 188. A majority, but no fewer than two, of all the qualified directors on the board of directors, or on the committee, constitutes a quorum for purposes of action that complies with sections 186 and 187 of this Act. Directors' action that otherwise complies with sections 186 and 187 of this Act is not affected by the presence or vote of a director who is not a qualified director.

Section 189. For purposes of sections 186 and 187 of this Act, the term, qualified director means, with respect to a director's conflicting interest transaction, any director who does not have either a conflicting interest respecting the transaction, or a familial, financial, professional, or employment relationship with a second director who does have a conflicting interest respecting the transaction, which relationship would, in the circumstances, reasonably be expected to exert an influence on the first director's judgment when voting on the transaction.

Section 190. Shareholders' action respecting a transaction is effective for purposes of subdivision (2) of section 185 of this Act if a majority of the votes entitled to be cast by the holders of all qualified shares were cast in favor of the transaction after:

- (1) Notice to shareholders describing the director's conflicting interest transaction;
- (2) Provision of the information referred to in section 192 of this Act; and
- (3) Required disclosure to the shareholders who voted on the transaction, to the extent the information was not known by them.

For purposes of this section, the term, qualified shares, means any shares entitled to vote with respect to the director's conflicting interest transaction except shares that, to the knowledge, before the vote, of the secretary, or other officer or agent of the corporation authorized to tabulate votes, are beneficially owned, or the voting of which is controlled, by a director who has a conflicting interest

respecting the transaction or by a related person of the director, or both.

Section 191. A majority of the votes entitled to be cast by the holders of all qualified shares constitutes a quorum for purposes of action that complies with section 190 of this Act. Subject to the provisions of sections 192 and 193 of this Act, shareholders' action that otherwise complies with section 190 of this Act is not affected by the presence of holders, or the voting, of shares that are not qualified shares.

Section 192. For purposes of compliance with section 190 of this Act, a director who has a conflicting interest respecting the transaction shall, before the shareholders' vote, inform the secretary, or other office or agent of the corporation authorized to tabulate votes, of the number, and the identity of persons holding or controlling the vote, of all shares that the director knows are beneficially owned, or the voting of which is controlled, by the director or by a related person of the director, or both.

Section 193. If a shareholders' vote does not comply with section 190 of this Act solely because of a failure of a director to comply with section 192 of this Act, and if the director establishes that the director's failure did not determine and was not intended by the director to influence the outcome of the vote, the court may, with or without further proceedings respecting subdivision (3) of section 185 of this Act, take such action respecting the transaction and the director, and give such effect, if any, to the shareholders' vote, as it considers appropriate in the circumstances.

Section 194. The provisions of sections 194 to 234, inclusive, of this Act may not be used to effect a transaction that converts an insurance company organized on the mutual principle to one organized on a stock-share basis.

Section 195. If a domestic or foreign business corporation or eligible entity is also governed by specific statutes such as insurance, banking, public utilities, and savings and loan provisions, the corporation or eligible entity cannot be a party to a transaction under sections 194 to 234, inclusive,

of this Act without also complying with the requirements of such specific statutes.

Property held in trust or for charitable purposes under the laws of this state by a domestic or foreign eligible entity may not, by any transaction under sections 194 to 234, inclusive, of this Act, be diverted from the objects for which it was donated, granted, or devised, unless and until the eligible entity obtains an order of the circuit court specifying the disposition of the property to the extent required by and pursuant to § 55-9-4.

Section 196. A foreign business corporation may become a domestic business corporation only if the domestication is permitted by the organic law of the foreign corporation.

Section 197. A domestic business corporation may become a foreign business corporation if the domestication is permitted by the laws of the foreign jurisdiction. Regardless of whether the laws of the foreign jurisdiction require the adoption of a plan of domestication, the domestication shall be approved by the adoption by the corporation of a plan of domestication in the manner provided in sections 196 to 214, inclusive, of this Act.

Section 198. The plan of domestication shall include:

- (1) A statement of the jurisdiction in which the corporation is to be domesticated;
- (2) The terms and conditions of the domestication;
- (3) The manner and basis of reclassifying the shares of the corporation following its domestication into shares or other securities, obligations, rights to acquire shares or other securities, cash, other property, or any combination of the foregoing; and
- (4) Any desired amendments to the articles of incorporation of the corporation following its domestication.

Section 199. The plan of domestication may also include a provision that the plan may be amended prior to filing the document required by the laws of this state or the other jurisdiction to consummate the domestication. However, subsequent to approval of the plan by the shareholders,

the plan may not be amended to change:

- (1) The amount or kind of shares or other securities, obligations, rights to acquire shares or other securities, cash, or other property to be received by the shareholders under the plan;
- (2) The articles of incorporation as they will be in effect immediately following the domestication, except for changes permitted by section 230 of this Act or by comparable provisions of the laws of the other jurisdiction; or
- (3) Any of the other terms or conditions of the plan if the change would adversely affect any of the shareholders in any material respect.

Section 200. Terms of a plan of domestication may be made dependent upon facts objectively ascertainable outside the plan in accordance with sections 3 to 5, inclusive, of this Act.

Section 201. If any debt security, note or similar evidence of indebtedness for money borrowed, whether secured or unsecured, or a contract of any kind, issued, incurred, or executed by a domestic business corporation before July 1, 2005, contains a provision applying to a merger of the corporation and the document does not refer to a domestication of the corporation, the provision is deemed to apply to a domestication of the corporation until such time as the provision is amended subsequent to that date.

Section 202. In the case of a domestication of a domestic business corporation in a foreign jurisdiction:

- (1) The plan of domestication must be adopted by the board of directors;
- (2) After adopting the plan of domestication the board of directors shall submit the plan to the shareholders for their approval. The board of directors shall also transmit to the shareholders a recommendation that the shareholders approve the plan, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the board of

directors shall transmit to the shareholders the basis for that determination;

- (3) The board of directors may condition its submission of the plan of domestication to the shareholders on any basis;
- (4) If the approval of the shareholders is to be given at a meeting, the corporation shall notify each shareholder, whether or not entitled to vote, of the meeting of shareholders at which the plan of domestication is to be submitted for approval. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the plan and must contain or be accompanied by a copy or summary of the plan. The notice shall include or be accompanied by a copy of the articles of incorporation as they will be in effect immediately after the domestication;
- (5) Unless the articles of incorporation, or the board of directors acting pursuant to subdivision (3), requires a greater vote or a greater number of votes to be present, approval of the plan of domestication requires the approval of the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the plan exists, and, if any class or series of shares is entitled to vote as a separate group on the plan, the approval of each such separate voting group at a meeting at which a quorum of the voting group consisting of at least a majority of the votes entitled to be cast on the domestication by that voting group exists;
- (6) Separate voting by voting groups is required by each class or series of shares that:
 - (a) Are to be reclassified under the plan of domestication into other securities, obligations, rights to acquire shares or other securities, cash, other property, or any combination of the foregoing;
 - (b) Would be entitled to vote as a separate group on a provision of the plan that, if contained in a proposed amendment to articles of incorporation, would require

action by separate voting groups under section 238 of this Act; or

(c) Is entitled under the articles of incorporation to vote as a voting group to approve an amendment of the articles;

(7) If any provision of the articles of incorporation, bylaws, or an agreement to which any of the directors or shareholders are parties, adopted or entered into before July 1, 2005, applies to a merger of the corporation and that document does not refer to a domestication of the corporation, the provision is deemed to apply to a domestication of the corporation until such time as the provision is amended subsequent to that date.

Section 203. The articles of domestication shall either contain all of the provisions that section 28 of this Act requires to be set forth in articles of incorporation and any other desired provisions that section 29 of this Act permits to be included in articles of incorporation, or shall have attached articles of incorporation. In either case, provisions that would not be required to be included in restated articles of incorporation may be omitted.

Section 204. The articles of domestication shall be delivered to the Office of the Secretary of State for filing, and shall take effect at the effective time provided in sections 9 and 10 of this Act.

Section 205. If the foreign corporation is authorized to transact business in this state under sections 347 to 370, inclusive, of this Act, its certificate of authority shall be cancelled automatically on the effective date of its domestication.

Section 206. Whenever a domestic business corporation has adopted and approved, in the manner required by sections 196 to 214, inclusive, of this Act, a plan of domestication providing for the corporation to be domesticated in a foreign jurisdiction, articles of charter surrender shall be executed on behalf of the corporation by any officer or other duly authorized representative. The articles of charter surrender shall set forth:

(1) The name of the corporation;

- (2) A statement that the articles of charter surrender are being filed in connection with the domestication of the corporation in a foreign jurisdiction;
- (3) A statement that the domestication was duly approved by the shareholders and, if voting by any separate voting group was required, by each such separate voting group, in the manner required by this Act and the articles of incorporation; and
- (4) The corporation's new jurisdiction of incorporation.

Section 207. After the domestication of a foreign business corporation has been authorized as required by the laws of the foreign jurisdiction, articles of domestication shall be executed by any officer or other duly authorized representative. The articles shall set forth:

- (1) The name of the corporation immediately before the filing of the articles of domestication and, if that name is unavailable for use in this state or the corporation desires to change its name in connection with the domestication, a name that satisfies the requirements of sections 41 to 44, inclusive, of this Act;
- (2) The jurisdiction of incorporation of the corporation immediately before the filing of the articles of domestication and the date the corporation was incorporated in that jurisdiction; and
- (3) A statement that the domestication of the corporation in this state was duly authorized as required by the laws of the jurisdiction in which the corporation was incorporated immediately before its domestication in this state.

Section 208. The articles of charter surrender shall be delivered by the corporation to the Office of the Secretary of State for filing. The articles of charter surrender shall take effect on the effective time provided in sections 9 and 10 of this Act.

Section 209. When a domestication becomes effective:

- (1) The title to all real and personal property, both tangible and intangible, of the corporation

remains in the corporation without reversion or impairment;

- (2) The liabilities of the corporation remain the liabilities of the corporation;
- (3) An action or proceeding pending against the corporation continues against the corporation as if the domestication had not occurred;
- (4) The articles of domestication, or the articles of incorporation attached to the articles of domestication, constitute the articles of incorporation of a foreign corporation domesticating in this state;
- (5) The shares of the corporation are reclassified into shares, other securities, obligations, rights to acquire shares or other securities, or into cash or other property in accordance with the terms of the domestication, and the shareholders are entitled only to the rights provided by those terms and to any appraisal rights they may have under the organic law of the domesticating corporation; and
- (6) The corporation is deemed to:
 - (a) Be incorporated under and subject to the organic law of the domesticated corporation for all purposes;
 - (b) Be the same corporation without interruption as the domesticating corporation; and
 - (c) Have been incorporated on the date the domesticating corporation was originally incorporated.

Section 210. When a domestication of a domestic business corporation in a foreign jurisdiction becomes effective, the foreign business corporation is deemed to:

- (1) Appoint the Office of the Secretary of State as its agent for service of process in a proceeding to enforce the rights of shareholders who exercise appraisal rights in connection with the domestication; and
- (2) Agree that it will promptly pay the amount, if any, to which such shareholders are entitled

under sections 280 to 307, inclusive, of this Act.

Section 211. The owner liability of a shareholder in a foreign corporation that is domesticated in this state is as follows:

- (1) The domestication does not discharge any owner liability under the laws of the foreign jurisdiction to the extent any such owner liability arose before the effective time of the articles of domestication;
- (2) The shareholder does not have owner liability under the laws of the foreign jurisdiction for any debt, obligation, or liability of the corporation that arises after the effective time of the articles of domestication;
- (3) The provisions of the laws of the foreign jurisdiction shall continue to apply to the collection or discharge of any owner liability preserved by subdivision (1), as if the domestication had not occurred; and
- (4) The shareholder has whatever rights of contribution from other shareholders are provided by the laws of the foreign jurisdiction with respect to any owner liability preserved by subdivision (1), as if the domestication had not occurred.

Section 212. A shareholder who becomes subject to owner liability for some or all of the debts, obligations, or liabilities of the corporation as a result of its domestication in this state has owner liability only for those debts, obligations, or liabilities of the corporation that arise after the effective time of the articles of domestication.

Section 213. Unless otherwise provided in a plan of domestication of a domestic business corporation, after the plan has been adopted and approved as required by sections 196 to 213, inclusive, of this Act, and at any time before the domestication has become effective, it may be abandoned by the board of directors without action by the shareholders.

If a domestication is abandoned under this section after articles of charter surrender have been

filed with the Office of the Secretary of State but before the domestication has become effective, a statement that the domestication has been abandoned in accordance with this section, executed by an officer or other duly authorized representative, shall be delivered to the Office of the Secretary of State for filing prior to the effective date of the domestication. The statement shall take effect upon filing and the domestication shall be deemed abandoned and does not become effective.

Section 214. If the domestication of a foreign business corporation in this state is abandoned in accordance with the laws of the foreign jurisdiction after articles of domestication have been filed with the Office of the Secretary of State, a statement that the domestication has been abandoned, executed by an officer or other duly authorized representative, shall be delivered to the Office of the Secretary of State for filing. The statement shall take effect upon filing and the domestication shall be deemed abandoned and does not become effective.

Section 215. A domestic business corporation may become a domestic unincorporated entity pursuant to a plan of entity conversion.

Section 216. A domestic business corporation may become a foreign unincorporated entity if the entity conversion is permitted by the laws of the foreign jurisdiction.

Section 217. A domestic unincorporated entity may become a domestic business corporation. If the organic law of a domestic unincorporated entity does not provide procedures for the approval of an entity conversion, the conversion shall be adopted and approved, and the entity conversion effectuated, in the same manner as a merger of the unincorporated entity. If the organic law of a domestic unincorporated entity does not provide procedures for the approval of either an entity conversion or a merger, a plan of entity conversion shall be adopted and approved, the entity conversion effectuated, and appraisal rights exercised, in accordance with the procedures in sections 215 to 234, inclusive, of this Act and sections 280 to 307, inclusive, of this Act. Without limiting the provisions of this section, a domestic unincorporated entity whose organic law does not provide

procedures for the approval of an entity conversion is subject to section 219 of this Act and section 224 of this Act. For purposes of applying sections 215 to 234, inclusive of this Act and sections 280 to 307, inclusive, of this Act:

- (1) The unincorporated entity, its interest holders, interests and organic documents taken together, are deemed to be a domestic business corporation, shareholders, shares and articles of incorporation, respectively and vice versa, as the context may require; and
- (2) If the business and affairs of the unincorporated entity are managed by a group of persons that is not identical to the interest holders, that group is deemed to be the board of directors.

Section 218. A foreign unincorporated entity may become a domestic business corporation if the organic law of the foreign unincorporated entity authorizes it to become a corporation in another jurisdiction.

Section 219. If any debt security, note, or similar evidence of indebtedness for money borrowed, whether secured or unsecured, or a contract of any kind, issued, incurred, or executed by a domestic business corporation before July 1, 2005, applies to a merger of the corporation and the document does not refer to an entity conversion of the corporation, the provision is deemed to apply to an entity conversion of the corporation until such time as the provision is amended subsequent to that date.

Section 220. Terms used in sections 215 to 234, inclusive, of this Act, mean:

- (1) "Converting entity," the domestic business corporation or domestic unincorporated entity that adopts a plan of entity conversion or the foreign unincorporated entity converting to a domestic business corporation;
- (2) "Surviving entity," the corporation or unincorporated entity that is in existence immediately after consummation of an entity conversion pursuant to sections 215 to 234, inclusive, of this Act.

Section 221. A plan of entity conversion must include:

- (1) A statement of the type of other entity the surviving entity will be and, if it will be a foreign other entity, its jurisdiction of organization;
- (2) The terms and conditions of the conversion;
- (3) The manner and basis of converting the shares of the domestic business corporation following its conversion into interests or other securities, obligations, rights to acquire interests or other securities, cash, other property, or any combination of the foregoing; and
- (4) The full text, as they will be in effect immediately after consummation of the conversion, of the organic documents of the surviving entity.

Section 222. The plan of entity conversion may also include a provision that the plan may be amended prior to filing articles of entity conversion. However, subsequent to approval of the plan by the shareholders, the plan may not be amended to change:

- (1) The amount or kind of shares or other securities, interests, obligations, rights to acquire shares, other securities or interests, cash, or other property to be received under the plan by the shareholders;
- (2) The organic documents that will be in effect immediately following the conversion, except for changes permitted by a provision of the organic law of the surviving entity comparable to section 239 of this Act; or
- (3) Any of the other terms or conditions of the plan if the change would adversely affect any of the shareholders in any material respect.

Section 223. Terms of a plan of entity conversion may be made dependent upon facts objectively ascertainable outside the plan in accordance with sections 3 to 5, inclusive, of this Act.

Section 224. In the case of an entity conversion of a domestic business corporation to a domestic or foreign unincorporated entity:

- (1) The plan of entity conversion must be adopted by the board of directors;
- (2) After adopting the plan of entity conversion, the board of directors shall submit the plan to the shareholders for their approval. The board of directors shall also transmit to the shareholders a recommendation that the shareholders approve the plan, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the board of directors must transmit to the shareholders the basis for that determination;
- (3) The board of directors may condition its submission of the plan of entity conversion to the shareholders on any basis;
- (4) If the approval of the shareholders is to be given at a meeting, the corporation must notify each shareholder, whether or not entitled to vote, of the meeting of shareholders at which the plan of entity conversion is to be submitted for approval. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the plan and must contain or be accompanied by a copy or summary of the plan. The notice shall include or be accompanied by a copy of the organic documents as they will be in effect immediately after the entity conversion;
- (5) Unless the articles of incorporation, or the board of directors acting pursuant to subdivision (3), requires a greater vote or a greater number of votes to be present, approval of the plan of entity conversion requires the approval of each class or series of shares of the corporation voting as a separate voting group at a meeting at which a quorum of the voting group consisting of at least a majority of the votes entitled to be cast on the conversion by that voting group exists;
- (6) If any provision of the articles of incorporation, bylaws, or an agreement to which any of the directors or shareholders are parties, adopted or entered into before July 1, 2005,

applies to a merger of the corporation and the document does not refer to an entity conversion of the corporation, the provision is deemed to apply to an entity conversion of the corporation until such time as the provision is subsequently amended;

- (7) If as a result of the conversion one or more shareholders of the corporation would become subject to owner liability for the debts, obligations, or liabilities of any other person or entity, approval of the plan of conversion shall require the execution, by each such shareholder, of a separate written consent to become subject to such owner liability.

Section 225. After the conversion of a domestic business corporation to a domestic unincorporated entity has been adopted and approved as required by this Act, articles of entity conversion shall be executed on behalf of the corporation by any officer or other duly authorized representative. The articles shall:

- (1) Set forth the name of the corporation immediately before the filing of the articles of entity conversion and the name to which the name of the corporation is to be changed, which shall be a name that satisfies the organic law of the surviving entity;
- (2) State the type of unincorporated entity that the surviving entity will be;
- (3) Set forth a statement that the plan of entity conversion was duly approved by the shareholders in the manner required by this Act and the articles of incorporation;
- (4) If the surviving entity is a filing entity, either contain all of the provisions required to be set forth in its public organic document and any other desired provisions that are permitted, or have attached a public organic document. However, in either case, provisions that would not be required to be included in a restated public organic document may be omitted.

Section 226. After the conversion of a domestic unincorporated entity to a domestic business corporation has been adopted and approved as required by the organic law of the unincorporated

entity, articles of entity conversion shall be executed on behalf of the unincorporated entity by any officer or other duly authorized representative. The articles shall:

- (1) Set forth the name of the unincorporated entity immediately before the filing of the articles of entity conversion and the name to which the name of the unincorporated entity is to be changed, which shall be a name that satisfies the requirements of sections 41 to 44, inclusive, of this Act;
- (2) Set forth a statement that the plan of entity conversion was duly approved in accordance with the organic law of the unincorporated entity;
- (3) Either contain all of the provisions that section 28 of this Act requires to be set forth in articles of incorporation and any other desired provisions that section 29 of this Act permits to be included in articles of incorporation, or have attached articles of incorporation. However, in either case, provisions that would not be required to be included in restated articles of incorporation of a domestic business corporation may be omitted.

Section 227. After the conversion of a foreign unincorporated entity to a domestic business corporation has been authorized as required by the laws of the foreign jurisdiction, articles of entity conversion shall be executed on behalf of the foreign unincorporated entity by any officer or other duly authorized representative. The articles shall:

- (1) Set forth the name of the unincorporated entity immediately before the filing of the articles of entity conversion and the name to which the name of the unincorporated entity is to be changed, which shall be a name that satisfies the requirements of sections 41 to 44, inclusive, of this Act;
- (2) Set forth the jurisdiction under the laws of which the unincorporated entity was organized immediately before the filing of the articles of entity conversion and the date on which the

unincorporated entity was organized in that jurisdiction;

- (3) Set forth a statement that the conversion of the unincorporated entity was duly approved in the manner required by its organic law; and
- (4) Either contain all of the provisions that section 28 of this Act requires to be set forth in articles of incorporation and any other desired provisions that section 29 of this Act permits to be included in articles of incorporation, or have attached articles of incorporation. However, in either case, provisions that would not be required to be included in restated articles of incorporation of a domestic business corporation may be omitted.

Section 228. The articles of entity conversion shall be delivered to the Office of the Secretary of State for filing, and shall take effect at the effective time provided in sections 9 and 10 of this Act. Articles of entity conversion filed under section 225 or 226 of this Act may be combined with any required conversion filing under the organic law of the domestic unincorporated entity if the combined filing satisfies the requirements of sections 225 to 228, inclusive, of this Act and the other organic law.

If the converting entity is a foreign unincorporated entity that is authorized to transact business in this state under a provision of law similar to sections 347 to 370, inclusive, of this Act, its certificate of authority or other type of foreign qualification shall be cancelled automatically on the effective date of its conversion.

Section 229. Whenever a domestic business corporation has adopted and approved, in the manner required by sections 215 to 234, inclusive, of this Act, a plan of entity conversion providing for the corporation to be converted to a foreign unincorporated entity, articles of charter surrender shall be executed on behalf of the corporation by any officer or other duly authorized representative. The articles of charter surrender shall set forth:

- (1) The name of the corporation;
- (2) A statement that the articles of charter surrender are being filed in connection with the conversion of the corporation to a foreign unincorporated entity;
- (3) A statement that the conversion was duly approved by the shareholders in the manner required by this Act and the articles of incorporation;
- (4) The jurisdiction under the laws of which the surviving entity will be organized;
- (5) If the surviving entity will be a nonfiling entity, the address of its executive office immediately after the conversion.

The articles of charter surrender shall be delivered by the corporation to the Office of the Secretary of State for filing. The articles of charter surrender shall take effect on the effective time provided in sections 9 and 10 of this Act.

Section 230. When a conversion under sections 215 to 234, inclusive, of this Act becomes effective:

- (1) The title to all real and personal property, both tangible and intangible, of the converting entity remains in the surviving entity without reversion or impairment;
- (2) The liabilities of the converting entity remain the liabilities of the surviving entity;
- (3) An action or proceeding pending against the converting entity continues against the surviving entity as if the conversion had not occurred;
- (4) In the case of a surviving entity that is a filing entity, its articles of incorporation or public organic document and its private organic document become effective;
- (5) In the case of a surviving entity that is a nonfiling entity, its private organic document becomes effective;
- (6) The shares or interests of the converting entity are reclassified into shares, interests, other securities, obligations, rights to acquire shares, interests or other securities, or into cash

or other property in accordance with the plan of conversion; and the shareholders or interest holders of the converting entity are entitled only to the rights provided to them under the terms of the conversion and to any appraisal rights that they may have under the organic law of the converting entity; and

- (7) The surviving entity is deemed to:
- (a) Be incorporated or organized under and subject to the organic law of the converting entity for all purposes;
 - (b) Be the same corporation or unincorporated entity without interruption as the converting entity; and
 - (c) Have been incorporated or otherwise organized on the date that the converting entity was originally incorporated or organized.

Section 231. When a conversion of a domestic business corporation to a foreign other entity becomes effective, the surviving entity is deemed to:

- (1) Appoint the Office of the Secretary of State as its agent for service of process in a proceeding to enforce the rights of shareholders who exercise appraisal rights in connection with the conversion; and
- (2) Agree that it will promptly pay the amount, if any, to which such shareholders are entitled under sections 280 to 307, inclusive, of this Act.

Section 232. Any shareholder who becomes subject to owner liability for some or all of the debts, obligations, or liabilities of the surviving entity is personally liable only for those debts, obligations, or liabilities of the surviving entity that arise after the effective time of the articles of entity conversion.

Section 233. The owner liability of an interest holder in an unincorporated entity that converts to a domestic business corporation is as follows:

- (1) The conversion does not discharge any owner liability under the organic law of the unincorporated entity to the extent any such owner liability arose before the effective time of the articles of entity conversion;
- (2) The interest holder does not have owner liability under the organic law of the unincorporated entity for any debt, obligation, or liability of the corporation that arises after the effective time of the articles of entity conversion;
- (3) The provisions of the organic law of the unincorporated entity continue to apply to the collection or discharge of any owner liability preserved by subdivision (1), as if the conversion had not occurred;
- (4) The interest holder has whatever rights of contribution from other interest holders are provided by the organic law of the unincorporated entity with respect to any owner liability preserved by subdivision (1), as if the conversion had not occurred.

Section 234. Unless otherwise provided in a plan of entity conversion of a domestic business corporation, after the plan has been adopted and approved as required by sections 215 to 234, inclusive, of this Act, and at any time before the entity conversion has become effective, it may be abandoned by the board of directors without action by the shareholders.

If an entity conversion is abandoned after articles of entity conversion or articles of charter surrender have been filed with the Office of the Secretary of State, but before the entity conversion has become effective, a statement that the entity conversion has been abandoned in accordance with this section, executed by an officer or other duly authorized representative, shall be delivered to the Office of the Secretary of State for filing prior to the effective date of the entity conversion. Upon filing, the statement shall take effect, and the entity conversion shall be deemed abandoned and does not become effective.

Section 235. A corporation may amend its articles of incorporation at any time to add or change

a provision that is required or permitted in the articles of incorporation as of the effective date of the amendment or to delete a provision that is not required to be contained in the articles of incorporation.

A shareholder of the corporation does not have a vested property right resulting from any provision in the articles of incorporation, including provisions relating to management, control, capital structure, dividend entitlement, or purpose or duration of the corporation.

Section 236. If a corporation has not yet issued shares, its board of directors, or its incorporators, if it has no board of directors, may adopt one or more amendments to the corporation's articles of incorporation.

Section 237. If a corporation has issued shares, an amendment to the articles of incorporation shall be adopted in the following manner:

- (1) The proposed amendment must be adopted by the board of directors;
- (2) Except as provided in sections 239, and 241 to 244, inclusive, of this Act, after adopting the proposed amendment the board of directors must submit the amendment to the shareholders for their approval. The board of directors must also transmit to the shareholders a recommendation that the shareholders approve the amendment, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the board of directors shall transmit to the shareholders the basis for that determination;
- (3) The board of directors may condition its submission of the amendment to the shareholders on any basis;
- (4) If the amendment is required to be approved by the shareholders, and the approval is to be given at a meeting, the corporation shall notify each shareholder, whether or not entitled to vote, of the meeting of shareholders at which the amendment is to be submitted

for approval. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the amendment and must contain or be accompanied by a copy of the amendment;

- (5) Unless the articles of incorporation, or the board of directors acting pursuant to subdivision (3), requires a greater vote or a greater number of shares to be present, approval of the amendment requires the approval of the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the amendment exists, and, if any class or series of shares is entitled to vote as a separate group on the amendment, except as provided in section 238 of this Act, the approval of each such separate voting group at a meeting at which a quorum of the voting group consisting of at least a majority of the votes entitled to be cast on the amendment by that voting group exists.

Section 238. If a corporation has more than one class of shares outstanding, the holders of the outstanding shares of a class are entitled to vote as a separate voting group, if shareholder voting is otherwise required by this Act, on a proposed amendment to the articles of incorporation if the amendment would:

- (1) Effect an exchange or reclassification of all or part of the shares of the class into shares of another class;
- (2) Effect an exchange or reclassification, or create the right of exchange, of all or part of the shares of another class into shares of the class;
- (3) Change the rights, preferences, or limitations of all or part of the shares of the class;
- (4) Change the shares of all or part of the class into a different number of shares of the same class;
- (5) Create a new class of shares having rights or preferences with respect to distributions or

to dissolution that are prior or superior to the shares of the class;

- (6) Increase the rights, preferences, or number of authorized shares of any class that, after giving effect to the amendment, have rights or preferences with respect to distributions or to dissolution that are prior or superior to the shares of the class;
- (7) Limit or deny an existing preemptive right of all or part of the shares of the class; or
- (8) Cancel or otherwise affect rights to distributions that have accumulated, but not yet been authorized, on all or part of the shares of the class.

If a proposed amendment would affect a series of a class of shares in one or more of the ways described in this section, the holders of shares of that series are entitled to vote as a separate voting group on the proposed amendment.

If a proposed amendment that entitles the holders of two or more classes or series of shares to vote as separate voting groups under this section would affect those two or more classes or series in the same or a substantially similar way, the holders of shares of all the classes or series so affected shall vote together as a single voting group on the proposed amendment, unless otherwise provided in the articles of incorporation or required by the board of directors.

A class or series of shares is entitled to the voting rights granted by this section although the articles of incorporation provide that the shares are nonvoting shares.

Section 239. Unless the articles of incorporation provide otherwise, a corporation's board of directors may adopt amendments to the corporation's articles of incorporation without shareholder approval:

- (1) To extend the duration of the corporation if it was incorporated at a time when limited duration was required by law;
- (2) To delete the names and addresses of the initial directors;
- (3) To delete the name and address of the initial registered agent or registered office, if a

statement of change is on file with the Office of the Secretary of State;

- (4) If the corporation has only one class of shares outstanding:
 - (a) To change each issued and unissued authorized share of the class into a greater number of whole shares of that class; or
 - (b) To increase the number of authorized shares of the class to the extent necessary to permit the issuance of shares as a share dividend;
- (5) To change the corporate name by substituting the term, corporation, incorporated, company, limited, or the abbreviation, corp., inc., co., or ltd., for a similar word or abbreviation in the name, or by adding, deleting, or changing a geographical attribution for the name;
- (6) To reflect a reduction in authorized shares, as a result of the operation of section 79 of this Act, when the corporation has acquired its own shares and the articles of incorporation prohibit the reissue of the acquired shares;
- (7) To delete a class of shares from the articles of incorporation, as a result of the operation of section 79 of this Act, when there are no remaining shares of the class because the corporation has acquired all shares of the class and the articles of incorporation prohibit the reissue of the acquired shares; or
- (8) To make any change expressly permitted by section 56 or 57 of this Act to be made without shareholder approval.

Section 240. After an amendment to the articles of incorporation has been adopted and approved in the manner required by this Act and by the articles of incorporation, the corporation shall deliver to the Office of the Secretary of State, for filing, articles of amendment, which shall set forth:

- (1) The name of the corporation;
- (2) The text of each amendment adopted, or the information required by section 4 of this Act;

- (3) If an amendment provides for an exchange, reclassification, or cancellation of issued shares, provisions for implementing the amendment if not contained in the amendment itself, which may be made dependent upon facts objectively ascertainable outside the articles of amendment in accordance with section 4 of this Act;
- (4) The date of each amendment's adoption; and
- (5) If an amendment:
 - (a) Was adopted by the incorporators or board of directors without shareholder approval, a statement that the amendment was duly approved by the incorporators or by the board of directors, as the case may be, and that shareholder approval was not required;
 - (b) Required approval by the shareholders, a statement that the amendment was duly approved by the shareholders in the manner required by this Act and by the articles of incorporation; or
 - (c) Is being filed pursuant to section 4 of this Act, a statement to that effect.

Section 241. A corporation's board of directors may restate its articles of incorporation at any time, with or without shareholder approval, to consolidate all amendments into a single document. If the restated articles include one or more new amendments that require shareholder approval, the amendments shall be adopted and approved as provided in section 237 of this Act. Duly adopted restated articles of incorporation supersede the original articles of incorporation and all amendments thereto.

Section 242. A corporation that restates its articles of incorporation shall deliver to the Office of the Secretary of State for filing articles of restatement setting forth the name of the corporation and the text of the restated articles of incorporation together with a certificate which states that the restated articles consolidate all amendments into a single document and, if a new amendment is

included in the restated articles, which also includes the statements required under section 240 of this Act.

Section 243. The Office of the Secretary of State may certify restated articles of incorporation as the articles of incorporation currently in effect, without including the certificate information required by section 242 of this Act.

Section 244. A corporation's articles of incorporation may be amended without action by the board of directors or shareholders to carry out a plan of reorganization ordered or decreed by a court of competent jurisdiction under the authority of a law of the United States.

The individual or individuals designated by the court shall deliver to the Office of the Secretary of State for filing articles of amendment setting forth:

- (1) The name of the corporation;
- (2) The text of each amendment approved by the court;
- (3) The date of the court's order or decree approving the articles of amendment;
- (4) The title of the reorganization proceeding in which the order or decree was entered; and
- (5) A statement that the court had jurisdiction of the proceeding under federal statute.

This section does not apply after entry of a final decree in the reorganization proceeding even though the court retains jurisdiction of the proceeding for limited purposes unrelated to consummation of the reorganization plan.

Section 245. An amendment to the articles of incorporation does not affect a cause of action existing against or in favor of the corporation, a proceeding to which the corporation is a party, or the existing rights of persons other than shareholders of the corporation. An amendment changing a corporation's name does not abate a proceeding brought by or against the corporation in its former name.

Section 246. A corporation's shareholders may amend or repeal the corporation's bylaws.

A corporation's board of directors may amend or repeal the corporation's bylaws, unless:

- (1) The articles of incorporation or section 247 of this Act reserve that power exclusively to the shareholders in whole or part; or
- (2) The shareholders in amending, repealing, or adopting a bylaw expressly provide that the board of directors may not amend, repeal, or reinstate that bylaw.

Section 247. A bylaw that increases a quorum or voting requirement for the board of directors may be amended or repealed:

- (1) If originally adopted by the shareholders, only by the shareholders, unless the bylaw otherwise provides;
- (2) If adopted by the board of directors, either by the shareholders or by the board of directors.

A bylaw adopted or amended by the shareholders that increases a quorum or voting requirement for the board of directors may provide that it can be amended or repealed only by a specified vote of either the shareholders or the board of directors.

Action by the board of directors under this section to amend or repeal a bylaw that changes the quorum or voting requirement for the board of directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

Section 248. Terms used in sections 248 to 271, inclusive, of this Act, mean:

- (1) "Merger," a business combination pursuant to sections 249 to 254, inclusive, of this Act;
- (2) "Party to a merger" or "party to a share exchange," any domestic or foreign corporation or eligible entity that will:
 - (a) Merge under a plan of merger;
 - (b) Acquire shares or eligible interests of another corporation or an eligible entity in

a share exchange; or

- (c) Have all of its shares or eligible interests or all of one or more classes or series of its shares or eligible interests acquired in a share exchange;

(3) "Share exchange," a business combination pursuant to sections 255 to 260, inclusive, of this Act;

(4) "Survivor," in a merger means the corporation or eligible entity into which one or more other corporations or eligible entities are merged. A survivor of a merger may preexist the merger or be created by the merger.

Section 249. One or more domestic business corporations may merge with one or more domestic or foreign business corporations or eligible entities pursuant to a plan of merger, or two or more foreign business corporations or domestic or foreign eligible entities may merge into a new domestic business corporation to be created in the merger in the manner provided in sections 248 to 271, inclusive, of this Act.

Section 250. A foreign business corporation, or a foreign eligible entity, may be a party to a merger with a domestic business corporation, or may be created by the terms of the plan of merger, only if the merger is permitted by the foreign business corporation or eligible entity.

Section 251. If the organic law of a domestic eligible entity does not provide procedures for the approval of a merger, a plan of merger may be adopted and approved, the merger effectuated, and appraisal rights exercised in accordance with the procedures in sections 248 to 271, inclusive, of this Act and sections 280 to 307, inclusive, of this Act. For the purposes of applying sections 248 to 271, inclusive, of this Act and sections 280 to 307, inclusive, of this Act:

- (1) The eligible entity, its members or interest holders, eligible interests, and organic documents taken together shall be deemed to be a domestic business corporation, shareholders, shares, and articles of incorporation, respectively and vice versa as the

context may require; and

- (2) If the business and affairs of the eligible entity are managed by a group of persons that is not identical to the members or interest holders, that group shall be deemed to be the board of directors.

Section 252. The plan of merger must include:

- (1) The name of each domestic or foreign business corporation or eligible entity that will merge and the name of the domestic or foreign business corporation or eligible entity that will be the survivor of the merger;
- (2) The terms and conditions of the merger;
- (3) The manner and basis of converting the shares of each merging domestic or foreign business corporation and eligible interests of each merging domestic or foreign eligible entity into shares or other securities, eligible interests, obligations, rights to acquire shares, other securities or eligible interests, cash, other property, or any combination of the foregoing;
- (4) The articles of incorporation of any domestic or foreign business or nonprofit corporation, or the organic documents of any domestic or foreign unincorporated entity, to be created by the merger, or if a new domestic or foreign business or nonprofit corporation or unincorporated entity is not to be created by the merger, any amendments to the survivor's articles of incorporation or organic documents; and
- (5) Any other provisions required by the laws under which any party to the merger is organized or by which it is governed, or by the articles of incorporation or organic document of any such party.

Terms of a plan of merger may be made dependent on facts objectively ascertainable outside the plan in accordance with sections 3 to 5, inclusive, of this Act.

Section 253. The plan of merger may include a provision that the plan may be amended prior to filing articles of merger, but if the shareholders of a domestic corporation that is a party to the merger are required or permitted to vote on the plan, the plan must provide that subsequent to approval of the plan by such shareholders the plan may not be amended to change:

- (1) The amount or kind of shares or other securities, eligible interests, obligations, rights to acquire shares, other securities or eligible interests, cash, or other property to be received under the plan by the shareholders of or owners of eligible interests in any party to the merger;
- (2) The articles of incorporation of any corporation, or the organic documents of any unincorporated entity, that will survive or be created as a result of the merger, except for changes permitted by section 239 of this Act or by comparable provisions of the organic laws of any such foreign corporation or domestic or foreign unincorporated entity; or
- (3) Any of the other terms or conditions of the plan if the change would adversely affect such shareholders in any material respect.

Section 254. Property held in trust or for charitable purposes under the laws of this state by a domestic or foreign eligible entity may not be diverted by a merger from the objects for which it was donated, granted, or devised, until the eligible entity obtains an order of circuit court specifying the disposition of the property to the extent required by and pursuant to § 55-9-4.

Section 255. Through a share exchange:

- (1) A domestic corporation may acquire all of the shares of one or more classes or series of shares of another domestic or foreign corporation, or all of the interests of one or more classes or series of interests of a domestic or foreign other entity, in exchange for shares or other securities, interests, obligations, rights to acquire shares or other securities, cash, other property, or any combination of the foregoing, pursuant to a plan of share exchange;

or

- (2) All of the shares of one or more classes or series of shares of a domestic corporation may be acquired by another domestic or foreign corporation or other entity, in exchange for shares or other securities, interests, obligations, rights to acquire shares or other securities, cash, other property, or any combination of the foregoing, pursuant to a plan of share exchange.

Section 256. A foreign corporation or eligible entity may be a party to a share exchange only if the share exchange is permitted by the corporation or other entity is organized or by which it is governed.

Section 257. If the organic law of a domestic other entity does not provide procedures for the approval of a share exchange, a plan of share exchange may be adopted and approved, and the share exchange effectuated, in accordance with the procedures, if any, for a merger. If the organic law of a domestic other entity does not provide procedures for the approval of either a share exchange or a merger, a plan of share exchange may be adopted and approved, the share exchange effectuated, and appraisal rights exercised, in accordance with the procedures in sections 248 to 271, inclusive, of this Act, and sections 280 to 307, inclusive, of this Act. For the purposes of applying sections 248 to 271, inclusive, of this Act, and sections 280 to 307, inclusive, of this Act:

- (1) The other entity, its interest holders, interests, and organic documents taken together shall be deemed to be a domestic business corporation, shareholders, shares, and articles of incorporation, respectively and vice versa as the context may require; and
- (2) If the business and affairs of the other entity are managed by a group of persons that is not identical to the interest holders, that group shall be deemed to be the board of directors.

Section 258. The plan of share exchange must include:

- (1) The name of each corporation or other entity whose shares or interests will be acquired

and the name of the corporation or other entity that will acquire those shares or interests;

- (2) The terms and conditions of the share exchange;
- (3) The manner and basis of exchanging shares of a corporation or interests in an other entity whose shares or interests will be acquired under the share exchange into shares or other securities, interests, obligations, rights to acquire shares, other securities, or interests, cash, other property, or any combination of the foregoing; and
- (4) Any other provisions required by the laws under which any party to the share exchange is organized or by the articles of incorporation or organic document of any such party.

Terms of a plan of share exchange may be made dependent on facts objectively ascertainable outside the plan in accordance with sections 3 to 5, inclusive, of this Act.

Section 259. The plan of share exchange may include a provision that the plan may be amended prior to filing articles of share exchange, but if the shareholders of a domestic corporation that is a party to the share exchange are required or permitted to vote on the plan, the plan must provide that subsequent to approval of the plan by such shareholders the plan may not be amended to change:

- (1) The amount or kind of shares or other securities, interests, obligations, rights to acquire shares, other securities or interests, cash, or other property to be issued by the corporation or to be received under the plan by the shareholders of or owners of interests in any party to the share exchange; or
- (2) Any of the other terms or conditions of the plan if the change would adversely affect such shareholders in any material respect.

Section 260. The provisions of sections 255 to 256, inclusive, of this Act, do not limit the power of a domestic corporation to acquire shares of another corporation or interests in another entity in a transaction other than a share exchange.

Section 261. In the case of a domestic corporation that is a party to a merger or share exchange:

- (1) The plan of merger or share exchange must be adopted by the board of directors;
- (2) Except as provided in subdivision (7) and in sections 262 to 264, inclusive, of this Act, after adopting the plan of merger or share exchange the board of directors shall submit the plan to the shareholders for their approval. The board of directors shall also transmit to the shareholders a recommendation that the shareholders approve the plan, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the board of directors must transmit to the shareholders the basis for that determination;
- (3) The board of directors may condition its submission of the plan of merger or share exchange to the shareholders on any basis;
- (4) If the plan of merger or share exchange is required to be approved by the shareholders, and if the approval is to be given at a meeting, the corporation must notify each shareholder, whether or not entitled to vote, of the meeting of shareholders at which the plan is to be submitted for approval. The notice must state that the purpose, or one of the purposes, of the meeting is to consider the plan and must contain or be accompanied by a copy or summary of the plan. If the corporation is to be merged into an existing corporation or other entity, the notice shall also include or be accompanied by a copy or summary of the articles of incorporation or organizational documents of that corporation or other entity. If the corporation is to be merged into a corporation or other entity that is to be created pursuant to the merger, the notice shall include or be accompanied by a copy or a summary of the articles of incorporation or organizational documents of the new corporation or other entity;
- (5) Unless the articles of incorporation, or the board of directors acting pursuant to subdivision (3), requires a greater vote or a greater number of votes to be present,

approval of the plan of merger or share exchange requires the approval of the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the plan exists, and, if any class or series of shares is entitled to vote as a separate group on the plan of merger or share exchange, the approval of each such separate voting group at a meeting at which a quorum of the voting group consisting of at least a majority of the votes entitled to be cast on the merger or share exchange by that voting group is present;

(6) Separate voting by voting groups is required:

(a) On a plan of merger, by each class or series of shares that:

- (i) Are to be converted under the plan of merger into other securities, interests, obligations, rights to acquire shares, other securities or interests, cash, other property, or any combination of the foregoing; or
- (ii) Would be entitled to vote as a separate group on a provision in the plan that, if contained in a proposed amendment to articles of incorporation, would require action by separate voting groups under section 238 of this Act;

(b) On a plan of share exchange, by each class or series of shares included in the exchange, with each class or series constituting a separate voting group; and

(c) On a plan of merger or share exchange, if the voting group is entitled under the articles of incorporation to vote as a voting group to approve a plan of merger or share exchange;

(7) Unless the articles of incorporation otherwise provide, approval by the corporation's shareholders of a plan of merger or share exchange is not required if:

(a) The corporation will survive the merger or is the acquiring corporation in a share exchange;

- (b) Except for amendments permitted by section 239 of this Act, its articles of incorporation will not be changed;
 - (c) Each shareholder of the corporation whose shares were outstanding immediately before the effective date of the merger or share exchange will hold the same number of shares, with identical preferences, limitations, and relative rights, immediately after the effective date of change; and
 - (d) The issuance in the merger or share exchange of shares or other securities convertible into or rights exercisable for shares does not require a vote under section 66 if this Act;
- (8) If as a result of a merger or share exchange one or more shareholders of a domestic corporation would become subject to owner liability for the debts, obligations, or liabilities of any other person or entity, approval of the plan of merger or share exchange shall require the execution, by each such shareholder, of a separate written consent to become subject to such owner liability.

Section 262. A domestic parent corporation that owns shares of a domestic or foreign subsidiary corporation that carry at least ninety percent of the voting power of each class and series of the outstanding shares of the subsidiary that have voting power may merge the subsidiary into itself or into another such subsidiary, or merge itself into the subsidiary, without the approval of the board of directors or shareholders of the subsidiary, unless the articles of incorporation of any of the corporations otherwise provide, and unless, in the case of a foreign subsidiary, approval by the subsidiary's board of directors or shareholders is required by the laws under which the subsidiary is organized.

Section 263. If under section 262 of this Act approval of a merger by the subsidiary's shareholders is not required, the parent corporation shall, within ten days after the effective date of

the merger, notify each of the subsidiary's shareholders that the merger has become effective.

Section 264. Except as provided in sections 262 and 263 of this Act, a merger between a parent and a subsidiary shall be governed by the provisions of sections 248 to 271, inclusive, of this Act applicable to mergers generally.

Section 265. After a plan of merger or share exchange has been adopted and approved as required by this Act, articles of merger or share exchange shall be executed on behalf of each party to the merger or share exchange by any officer or other duly authorized representative. The articles shall set forth:

- (1) The names of the parties to the merger or share exchange;
- (2) If the articles of incorporation of the survivor of a merger are amended, or if a new corporation is created as a result of a merger, the amendments to the survivor's articles of incorporation or the articles of incorporation of the new corporation;
- (3) If the plan of merger or share exchange required approval by the shareholders of a domestic corporation that was a party to the merger or share exchange, a statement that the plan was duly approved by the shareholders and, if voting by any separate voting group was required, by each such separate voting group, in the manner required by this Act and the articles of incorporation;
- (4) If the plan of merger or share exchange did not require approval by the shareholders of a domestic corporation that was a party to the merger or share exchange, a statement to that effect; and
- (5) As to each foreign corporation or eligible entity that was a party to the merger or share exchange, a statement that the participation of the foreign corporation or eligible entity was duly authorized as required by the organic law of the corporation or eligible entity.

Articles of merger or share exchange shall be delivered to the Office of the Secretary of State for

filing by the survivor of the merger or the acquiring corporation in a share exchange, and take effect at the effective time provided in sections 9 and 10 of this Act. Articles of merger or share exchange filed under this section may be combined with any filing required under the organic law of any domestic eligible entity involved in the transaction if the combined filing satisfies the requirements of both this section and the other organic law.

Section 266. When a merger becomes effective:

- (1) The corporation or eligible entity that is designated in the plan of merger as the survivor continues or comes into existence, as the case may be;
- (2) The separate existence of every corporation or eligible entity that is merged into the survivor ceases;
- (3) All property owned by, and every contract right possessed by, each corporation or eligible entity that merges into the survivor is vested in the survivor without reversion or impairment;
- (4) All liabilities of each corporation or eligible entity that is merged into the survivor are vested in the survivor;
- (5) The name of the survivor may, but need not, be substituted in any pending proceeding for the name of any party to the merger whose separate existence ceased in the merger;
- (6) The articles of incorporation or organic documents of the survivor are amended to the extent provided in the plan of merger;
- (7) The articles of incorporation or organic documents of a survivor that is created by the merger become effective; and
- (8) The shares of each corporation that is a party to the merger, and the interests in an eligible entity that is a party to a merger, that are to be converted under the plan of merger into shares, eligible interests, obligations, rights to acquire securities, other securities, or

eligible interests, cash, other property, or any combination of the foregoing, are converted, and the former holders of such shares or eligible interests are entitled only to the rights provided to them in the plan of merger or to any rights they may have under sections 280 to 307, inclusive, of this Act or the organic law of the eligible entity.

Section 267. When a share exchange becomes effective, the shares of each domestic corporation that are to be exchanged for shares or other securities, interests, obligations, rights to acquire shares or other securities, cash, other property, or any combination of the foregoing, are entitled only to the rights provided to them in the plan of share exchange or to any rights they may have under sections 280 to 307, inclusive, of this Act.

Section 268. Any person who becomes subject to owner liability for some or all of the debts, obligations, or liabilities of any entity as a result of a merger or share exchange has owner liability only to the extent provided in the organic law of the entity and only for those debts, obligations, and liabilities that arise after the effective time of the articles of merger or share exchange.

Section 269. Upon a merger becoming effective, a foreign corporation, or a foreign eligible entity, that is the survivor of the merger is deemed to:

- (1) Appoint the Office of the Secretary of State as its agent for service of process in a proceeding to enforce the rights of shareholders of each domestic corporation that is a party to the merger who exercise appraisal rights; and
- (2) Agree that it will promptly pay the amount, if any, to which such shareholders are entitled under sections 280 to 307, inclusive, of this Act.

Section 270. The effect of a merger or share exchange on the owner liability of a person who had owner liability for some or all of the debts, obligations, or liabilities of a party to the merger or share exchange shall be as follows:

- (1) The merger or share exchange does not discharge any owner liability under the organic

law of the entity in which the person was a shareholder or interest holder to the extent any such owner liability arose before the effective time of the articles of merger or share exchange;

- (2) The person does not have owner liability under the organic law of the entity in which the person was a shareholder or interest holder prior to the merger or share exchange for any debt, obligation, or liability that arises after the effective time of the articles of merger or share exchange;
- (3) The provisions of the organic law of any entity for which the person had owner liability before the merger or share exchange continue to apply to the collection or discharge of any owner liability preserved by subdivision (1), as if the merger or share exchange had not occurred;
- (4) The person has whatever rights of contribution from other persons are provided by the organic law of the entity for which the person had owner liability with respect to any owner liability preserved by subdivision (1), as if the merger or share exchange had not occurred.

Section 271. Unless otherwise provided in a plan of merger or share exchange or in the laws under which a foreign business corporation or a domestic or foreign eligible entity that is a party to a merger or a share exchange is organized or by which it is governed, after the plan has been adopted and approved as required by this chapter, and at any time before the merger or share exchange has become effective, it may be abandoned by a domestic business corporation that is a party thereto without action by its shareholders in accordance with any procedures set forth in the plan of merger or share exchange or, if no such procedures are set forth in the plan, in the manner determined by the board of directors, subject to any contractual rights of other parties to the merger or share exchange.

If a merger or share exchange is abandoned under this section after articles of merger or share exchange have been filed with the Office of the Secretary of State but before the merger or share exchange has become effective, a statement that the merger or share exchange has been abandoned in accordance with this section, executed on behalf of a party to the merger or share exchange by an officer or other duly authorized representative, shall be delivered to the Office of the Secretary of State for filing prior to the effective date of the merger or share exchange. Upon filing, the statement shall take effect and the merger or share exchange shall be deemed abandoned and does not become effective.

Section 272. No approval of the shareholders of a corporation is required, unless the articles of incorporation otherwise provide:

- (1) To sell, lease, exchange, or otherwise dispose of any or all of the corporation's assets in the usual and regular course of business;
- (2) To mortgage, pledge, dedicate to the repayment of indebtedness (whether with or without recourse), or otherwise encumber any or all of the corporation's assets, whether or not in the usual and regular course of business;
- (3) To transfer any or all of the corporation's assets to one or more corporations or other entities all of the shares or interests of which are owned by the corporation; or
- (4) To distribute assets pro rata to the holders of one or more classes or series of the corporation's shares.

Section 273. A sale, lease, exchange, or other disposition of assets, other than a disposition described in section 272 of this Act, requires approval of the corporation's shareholders if the disposition would leave the corporation without a significant continuing business activity. If a corporation retains a business activity that represented at least twenty-five percent of total assets at the end of the most recently completed fiscal year, and twenty-five percent of either income from

continuing operations before taxes or revenues from continuing operations for that fiscal year, in each case of the corporation and its subsidiaries on a consolidated basis, the corporation will conclusively be deemed to have retained a significant continuing business activity.

Section 274. A disposition that requires approval of the shareholders under section 273 of this Act shall be initiated by a resolution by the board of directors authorizing the disposition. After adoption of such a resolution, the board of directors shall submit the proposed disposition to the shareholders for their approval. The board of directors shall also transmit to the shareholders a recommendation that the shareholders approve the proposed disposition, unless the board of directors makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the board of directors shall transmit to the shareholders the basis for that determination.

The board of directors may condition its submission of a disposition to the shareholders under this section on any basis.

Section 275. If a disposition is required to be approved by the shareholders under section 273 of this Act, and if the approval is to be given at a meeting, the corporation shall notify each shareholder, whether or not entitled to vote, of the meeting of shareholders at which the disposition is to be submitted for approval. The notice shall state that the purpose, or one of the purposes, of the meeting is to consider the disposition and shall contain a description of the disposition, including the terms and conditions thereof and the consideration to be received by the corporation.

Section 276. Unless the articles of incorporation or the board of directors acting pursuant to section 274 of this Act requires a greater vote, or a greater number of votes to be present, the approval of a disposition by the shareholders shall require the approval of the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast on the disposition exists.

Section 277. After a disposition has been approved by the shareholders under section 274 of this Act, and at any time before the disposition has been consummated, it may be abandoned by the corporation without action by the shareholders, subject to any contractual rights of other parties to the disposition.

Section 278. A disposition of assets in the course of dissolution under sections 308 to 346, inclusive, of this Act is not governed by sections 273 to 279, inclusive, of this Act.

Section 279. The assets of a direct or indirect consolidated subsidiary shall be deemed the assets of the parent corporation for the purposes of sections 273 to 279, inclusive, of this Act.

Section 280. Terms used in sections 280 to 307, inclusive, of this Act, mean:

- (1) "Affiliate," any person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with another person or is a senior executive thereof. For purposes of subdivision (4) of section 282 of this Act, a person is deemed to be an affiliate of its senior executives;
- (2) "Beneficial shareholder," any person who is the beneficial owner of shares held in a voting trust or by a nominee on the beneficial owner's behalf;
- (3) "Corporation," the issuer of the shares held by a shareholder demanding appraisal and, for matters covered in sections 288 to 307, inclusive, of this Act, includes the surviving entity in a merger;
- (4) "Fair value," the value of the corporation's shares determined:
 - (a) Immediately before the effectuation of the corporate action to which the shareholder objects;
 - (b) Using customary and current valuation concepts and techniques generally employed for similar businesses in the context of the transaction requiring appraisal; and

- (c) Without discounting for lack of marketability or minority status except, if appropriate, for amendments to the articles pursuant to subdivision (5) of section 281 of this Act;
- (5) "Interest," interest from the effective date of the corporate action until the date of payment, at the rate of interest on judgments in this state on the effective date of the corporate action;
- (6) "Preferred shares," any class or series of shares whose holders have preference over any other class or series with respect to distributions;
- (7) "Record shareholder," the person in whose name shares are registered in the records of the corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with the corporation;
- (8) "Senior executive," the chief executive officer, chief operating officer, chief financial officer, and anyone in charge of a principal business unit or function;
- (9) "Shareholder," both a record shareholder and a beneficial shareholder.

Section 281. A shareholder is entitled to appraisal rights, and to obtain payment of the fair value of that shareholder's shares, in the event of any of the following corporate actions:

- (1) Consummation of a merger to which the corporation is a party under either of the following circumstances:
 - (a) Shareholder approval is required for the merger by section 261 of this Act and the shareholder is entitled to vote on the merger, except that appraisal rights are not available to any shareholder of the corporation with respect to shares of any class or series that remain outstanding after consummation of the merger; or
 - (b) The corporation is a subsidiary and the merger is governed by sections 262 to 264, inclusive, of this Act;

- (2) Consummation of a share exchange to which the corporation is a party as the corporation whose shares will be acquired if the shareholder is entitled to vote on the exchange, except that appraisal rights are not available to any shareholder of the corporation with respect to any class or series of shares of the corporation that is not exchanged;
- (3) Consummation of a disposition of assets pursuant to sections 273 to 279, inclusive, of this Act if the shareholder is entitled to vote on the disposition;
- (4) An amendment of the articles of incorporation with respect to a class or series of shares that reduces the number of shares of a class or series owned by the shareholder to a fraction of a share if the corporation has the obligation or right to repurchase the fractional share so created;
- (5) Any other amendment to the articles of incorporation, merger, share exchange, or disposition of assets to the extent provided by the articles of incorporation, bylaws, or a resolution of the board of directors;
- (6) Consummation of a domestication if the shareholder does not receive shares in the foreign corporation resulting from the domestication that have terms as favorable to the shareholder in all material respects, and represent at least the same percentage interest of the total voting rights of the outstanding shares of the corporation, as the shares held by the shareholder before the domestication; or
- (7) Consummation of a conversion of the corporation to an unincorporated entity pursuant to sections 215 to 234, inclusive, of this Act.

Section 282. Notwithstanding section 281 of this Act, the availability of appraisal rights under subdivisions (1), (2), (3), (4), (6), and (8) of section 281 of this Act are limited in accordance with the following provisions:

- (1) Appraisal rights are not available for the holders of shares of any class or series of shares

which is:

- (a) Listed on the New York Stock Exchange or the American Stock Exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.; or
 - (b) Not listed or designated as provided in subsection (a), but has at least two thousand shareholders and the outstanding shares of such class or series has a market value of at least twenty million dollars, exclusive of the value of such shares held by its subsidiaries, senior executives, directors, and beneficial shareholders owning more than ten percent of such shares;
- (2) The applicability of subdivision (1) shall be determined as of:
 - (a) The record date fixed to determine the shareholders entitled to receive notice of, and to vote at, the meeting of shareholders to act upon the corporate action requiring appraisal rights; or
 - (b) The day before the effective date of such corporate action if there is no meeting of shareholders;
- (3) The provisions of subdivision (1) are not applicable and appraisal rights are available pursuant to section 281 of this Act for the holders of any class or series of shares who are required by the terms of the corporate action requiring appraisal rights to accept for such shares anything other than cash or shares of any class or any series of shares of any corporation, or any other proprietary interest of any other entity, that satisfies the standards set forth in subdivision (1) at the time the corporate action becomes effective;
- (4) The provisions of subdivision (1) are not applicable and appraisal rights are available pursuant to section 281 of this Act for the holders of any class or series of shares in which:

- (a) Any of the shares or assets of the corporation are being acquired or converted, whether by merger, share exchange, or otherwise, pursuant to the corporate action by a person, or by an affiliate of a person, who:
 - (i) Is, or at any time in the one-year period immediately preceding approval by the board of directors of the corporate action requiring appraisal rights was, the beneficial owner of twenty percent or more of the voting power of the corporation, excluding any shares acquired pursuant to an offer for all shares having voting power if such offer was made within one year prior to the corporate action requiring appraisal rights for consideration of the same kind and of a value equal to or less than that paid in connection with the corporate action; or
 - (ii) Directly or indirectly has, or at any time in the one-year period immediately preceding approval by the board of directors of the corporation of the corporate action requiring appraisal rights had, the power, contractually or otherwise, to cause the appointment or election of twenty-five percent or more of the directors to the board of directors of the corporation; or
- (b) Any of the shares or assets of the corporation are being acquired or converted, whether by merger, share exchange, or otherwise, pursuant to such corporate action by a person, or by an affiliate of a person, who is, or at any time in the one-year period immediately preceding approval by the board of directors of the corporate action requiring appraisal rights was, a senior executive or director of the corporation or a senior executive of any affiliate thereof, and that senior executive or director will receive, as a result of the corporate action, a financial benefit not generally available to other shareholders as such, other than:

- (i) Employment, consulting, retirement, or similar benefits established separately and not as part of or in contemplation of the corporate action; or
 - (ii) Employment, consulting, retirement, or similar benefits established in contemplation of, or as part of, the corporate action that are not more favorable than those existing before the corporate action or, if more favorable, that have been approved on behalf of the corporation in the same manner as is provided in sections 186 to 189, inclusive, of this Act; or
 - (iii) In the case of a director of the corporation who will, in the corporate action, become a director of the acquiring entity in the corporate action or one of its affiliates, rights and benefits as a director that are provided on the same basis as those afforded by the acquiring entity generally to other directors of such entity or such affiliate;
- (5) For the purposes of subdivision (4), the term, beneficial owner, means any person who, directly or indirectly, through any contract, arrangement, or understanding, other than a revocable proxy, has or shares the power to vote, or to direct the voting of, shares. However, a member of a national securities exchange may not be deemed to be a beneficial owner of securities held directly or indirectly by it on behalf of another person solely because such member is the record holder of such securities if the member is precluded by the rules of such exchange from voting without instruction on contested matters or matters that may affect substantially the rights or privileges of the holders of the securities to be voted. When two or more persons agree to act together for the purpose of voting their shares of the corporation, each member of the group formed thereby shall be deemed to have acquired beneficial ownership, as of the date of such agreement, of all voting shares of the corporation beneficially owned by any member of the group.

Section 283. Notwithstanding any other provision of sections 281 to 284, inclusive, of this Act, the articles of incorporation as originally filed or any amendment thereto may limit or eliminate appraisal rights for any class or series of preferred shares, but any such limitation or elimination contained in an amendment to the articles of incorporation that limits or eliminates appraisal rights for any of such shares that are outstanding immediately prior to the effective date of such amendment or that the corporation is or may be required to issue or sell thereafter pursuant to any conversion, exchange, or other right existing immediately before the effective date of such amendment does not apply to any corporate action that becomes effective within one year of that date if such action would otherwise afford appraisal rights.

Section 284. No shareholder may challenge a completed corporate action described in section 281 of this Act, other than those subscribed in subdivisions (3) and (4) of section 282 of this Act, unless such corporate action:

- (1) Was not effectuated in accordance with the applicable provisions of sections 194 to 279, inclusive, of this Act or the corporation's articles of incorporation, bylaws or board of directors' resolution authorizing the corporate action; or
- (2) Was procured as a result of fraud or material misrepresentation.

Section 285. A record shareholder may assert appraisal rights as to fewer than all the shares registered in the record shareholder's name but owned by a beneficial shareholder only if the record shareholder objects with respect to all shares of the class or series owned by the beneficial shareholder and notifies the corporation in writing of the name and address of each beneficial shareholder on whose behalf appraisal rights are being asserted. The rights of a record shareholder who asserts appraisal rights for only part of the shares held of record in the record shareholder's name under this section shall be determined as if the shares as to which the record shareholder objects and the record shareholder's other shares were registered in the names of different record shareholders.

Section 286. A beneficial shareholder may assert appraisal rights as to shares of any class or series held on behalf of the shareholder only if such shareholder:

- (1) Submits to the corporation the record shareholder's written consent to the assertion of such rights no later than the date referred to in subsection (2)(b) of section 290 of this Act; and
- (2) Does so with respect to all shares of the class or series that are beneficially owned by the beneficial shareholder.

Section 287. If proposed corporate action described in section 281 of this Act is to be submitted to a vote at a shareholders' meeting, the meeting notice must state that the corporation has concluded that shareholders are, are not, or may be entitled to assert appraisal rights under this sections 280 to 307, inclusive, of this Act. If the corporation concludes that appraisal rights are or may be available, a copy of sections 280 to 307, inclusive, of this Act must accompany the meeting notice sent to those record shareholders entitled to exercise appraisal rights.

In a merger pursuant to sections 262 to 264, inclusive, of this Act, the parent corporation shall notify in writing all record shareholders of the subsidiary who are entitled to assert appraisal rights that the corporate action became effective. Such notice shall be sent within ten days after the corporate action became effective and include the materials described in sections 289 to 291, inclusive, of this Act.

Section 288. If proposed corporate action requiring appraisal rights under sections 281 to 284, inclusive, of this Act is submitted to a vote at a shareholders' meeting, a shareholder who wishes to assert appraisal rights with respect to any class or series of shares:

- (1) Must deliver to the corporation before the vote is taken written notice of the shareholder's intent to demand payment if the proposed action is effectuated; and
- (2) Must not vote, or cause or permit to be voted, any shares of such class or series in favor

of the proposed action.

A shareholder who does not satisfy the requirements of this section is not entitled to payment under sections 280 to 307, inclusive, of this Act.

Section 289. If proposed corporate action requiring appraisal rights under section 281 of this Act becomes effective, the corporation must deliver a written appraisal notice and form required by subdivision (1) of section 290 of this Act to all shareholders who satisfied the requirements of section 288 of this Act. In the case of a merger under sections 262 to 264, inclusive, of this Act, the parent shall deliver a written appraisal notice and form to all record shareholders who may be entitled to assert appraisal rights.

Section 290. The appraisal notice shall be sent no earlier than the date the corporate action became effective and no later than ten days after such date and must:

- (1) Supply a form that specifies the date of the first announcement to shareholders of the principal terms of the proposed corporate action and requires the shareholder asserting appraisal rights to certify (i) whether or not beneficial ownership of those shares for which appraisal rights are asserted was acquired before that date and (ii) that the shareholder did not vote for the transaction;
- (2) State the following:
 - (a) Where the form must be sent and where certificates for certificated shares must be deposited and the date by which those certificates must be deposited, which date may not be earlier than the date for receiving the required form under subsection (2)(b);
 - (b) A date by which the corporation must receive the form, which date may not be fewer than forty nor more than sixty days after the date the section 289 of this Act appraisal notice and form are sent, and state that the shareholder waives the right

to demand appraisal with respect to the shares unless the form is received by the corporation by such specified date;

- (c) The corporation's estimate of the fair value of the shares;
- (d) That, if requested in writing, the corporation will provide, to the shareholder so requesting, within ten days after the date specified in subsection (2)(b) the number of shareholders who return the forms by the specified date and the total number of shares owned by them; and
- (e) The date by which the notice to withdraw under sections 291 to 293, inclusive, of this Act must be received, which date must be within twenty days after the date specified in subsection (2)(b); and

- (3) Be accompanied by a copy of sections 280 to 307, inclusive, of this Act.

Section 291. A shareholder who receives notice pursuant to sections 289 and 290 of this Act and who wishes to exercise appraisal rights must certify on the form sent by the corporation whether the beneficial owner of such shares acquired beneficial ownership of the shares before the date required to be set forth in the notice pursuant to subdivision (1) of section 290 of this Act. If a shareholder fails to make this certification, the corporation may elect to treat the shareholder's shares as after-acquired shares under sections 295 to 298, inclusive, of this Act. In addition, a shareholder who wishes to exercise appraisal rights must execute and return the form and, in the case of certificated shares, deposit the shareholder's certificates in accordance with the terms of the notice by the date referred to in the notice pursuant to subsection (2)(b) of section 290 of this Act. Once a shareholder deposits that shareholder's certificates or, in the case of uncertificated shares, returns the executed forms, that shareholder loses all rights as a shareholder, unless the shareholder withdraws pursuant to section 290 of this Act.

Section 292. A shareholder who has complied with section 289 of this Act may nevertheless

decline to exercise appraisal rights and withdraw from the appraisal process by so notifying the corporation in writing by the date set forth in the appraisal notice pursuant to subsection (2)(e) of section 290 of this Act. A shareholder who fails to so withdraw from the appraisal process may not thereafter withdraw without the corporation's written consent.

Section 293. A shareholder who does not execute and return the form and, in the case of certificated shares, deposit that shareholder's share certificates where required, each by the date set forth in the notice described in section 290 of this Act, is not entitled to payment under this Act.

Section 294. Except as provided in sections 295 to 298, inclusive, of this Act, within thirty days after the form required by subsection (2)(b) of section 290 of this Act is due, the corporation shall pay in cash to those shareholders who complied with section 291 of this Act the amount the corporation estimates to be the fair value of their shares, plus interest.

The payment to each shareholder pursuant to this section must be accompanied by:

- (1) Financial statements of the corporation that issued the shares to be appraised, consisting of a balance sheet as of the end of a fiscal year ending not more than sixteen months before the date of payment, an income statement for that year, a statement of changes in shareholders' equity for that year, and the latest available interim financial statements, if any;
- (2) A statement of the corporation's estimate of the fair value of the shares, which estimate must equal or exceed the corporation's estimate given pursuant to subsection (2)(c) of section 290 of this Act;
- (3) A statement that shareholders described in this section have the right to demand further payment under section 299 of this Act and that if any such shareholder does not do so within the time period specified therein, such shareholder shall be deemed to have accepted such payment in full satisfaction of the corporation's obligations under this Act.

Section 295. A corporation may elect to withhold payment required by section 294 of this Act from any shareholder who did not certify that beneficial ownership of all of the shareholder's shares for which appraisal rights are asserted was acquired before the date set forth in the appraisal notice sent pursuant to subdivision (1) of section 290 of this Act.

Section 296. If the corporation elected to withhold payment under section 295 of this Act, the corporation must, within thirty days after the form required by subsection (2)(b) of section 290 of this Act is due, notify all shareholders who are described in section 295 of this Act:

- (1) Of the information required by subdivision (1) of section 294 of this Act;
- (2) Of the corporation's estimate of fair value pursuant to subdivision (2) of section 294 of this Act;
- (3) That they may accept the corporation's estimate of fair value, plus interest, in full satisfaction of their demands or demand appraisal under section 299 of this Act;
- (4) That those shareholders who wish to accept such offer must so notify the corporation of their acceptance of the corporation's offer within thirty days after receiving the offer; and
- (5) That those shareholders who do not satisfy the requirements for demanding appraisal under section 299 of this Act shall be deemed to have accepted the corporation's offer.

Section 297. Within ten days after receiving the shareholder's acceptance pursuant to section 296 of this Act, the corporation must pay in cash the amount it offered under subdivision (2) of section 296 of this Act to each shareholder who agreed to accept the corporation's offer in full satisfaction of the shareholder's demand.

Section 298. Within forty days after sending the notice described in section 296 of this Act, the corporation must pay in cash the amount it offered to pay under subdivision (2) of section 296 of this Act to each shareholder described in subdivision (5) of section 296 of this Act.

Section 299. A shareholder paid pursuant to section 294 of this Act who is dissatisfied with the

amount of the payment must notify the corporation in writing of that shareholder's estimate of the fair value of the shares and demand payment of that estimate plus interest, less any payment under section 294 of this Act. A shareholder offered payment under sections 295 to 298, inclusive, of this Act who is dissatisfied with that offer must reject the offer and demand payment of the shareholder's stated estimate of the fair value of the shares plus interest.

A shareholder who fails to notify the corporation in writing of that shareholder's demand to be paid the shareholder's stated estimate of the fair value plus interest under this section within thirty days after receiving the corporation's payment or offer of payment under section 294 or sections 295 to 298, inclusive, of this Act, respectively, waives the right to demand payment under this section and is entitled only to the payment made or offered pursuant to those respective sections.

Section 300. If a shareholder makes demand for payment under section 299 of this Act which remains unsettled, the corporation shall commence a proceeding within sixty days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the sixty-day period, it shall pay in cash to each shareholder the amount the shareholder demanded pursuant to section 299 of this Act plus interest.

Section 301. The corporation shall commence the proceeding in the appropriate court of the county where the corporation's principal office, or, if none, its registered office, in this state is located. If the corporation is a foreign corporation without a registered office in this state, it shall commence the proceeding in the county in this state where the principal office or registered office of the domestic corporation merged with the foreign corporation was located at the time of the transaction.

Section 302. The corporation shall make all shareholders, whether or not residents of this state, whose demands remain unsettled parties to the proceeding as in an action against their shares, and

all parties must be served with a copy of the petition. Nonresidents may be served by registered or certified mail or by publication as provided by law.

Section 303. The jurisdiction of the court in which the proceeding is commenced under section 301 of this Act is plenary and exclusive. The court may appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers shall have the powers described in the order appointing them, or in any amendment to it. The shareholders demanding appraisal rights are entitled to the same discovery rights as parties in other civil proceedings. There is no right to a jury trial.

Section 304. Each shareholder made a party to the proceeding is entitled to judgment for the amount, if any, by which the court finds the fair value of the shareholder's shares, plus interest, exceeds the amount paid by the corporation to the shareholder for such shares or for the fair value, plus interest, of the shareholder's shares for which the corporation elected to withhold payment under sections 295 to 298, inclusive, of this Act.

Section 305. The court in an appraisal proceeding commenced under sections 300 to 304, inclusive, of this Act shall determine all costs of the proceeding, including the reasonable compensation and expenses of appraisers appointed by the court. The court shall assess the costs against the corporation, except that the court may assess costs against all or some of the shareholders demanding appraisal, in amounts the court finds equitable, to the extent the court finds such shareholders acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by sections 280 to 307, inclusive, of this Act.

Section 306. The court in an appraisal proceeding may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable:

- (1) Against the corporation and in favor of any or all shareholders demanding appraisal if the court finds the corporation did not substantially comply with the requirements of sections

287, 289, 290, 294, or 295 to 298, inclusive, of this Act; or

- (2) Against either the corporation or a shareholder demanding appraisal, in favor of any other party, if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously, or not in good faith with respect to the rights provided by this chapter.

Section 307. If the court in an appraisal proceeding finds that the services of counsel for any shareholder were of substantial benefit to other shareholders similarly situated, and that the fees for those services should not be assessed against the corporation, the court may award to such counsel reasonable fees to be paid out of the amounts awarded the shareholders who were benefited.

To the extent the corporation fails to make a required payment pursuant to section 294, sections 295 to 298, inclusive, or 299 of this Act, the shareholder may sue directly for the amount owed and, to the extent successful, is entitled to recover from the corporation all costs and expenses of the suit, including counsel fees.

Section 308. A majority of the incorporators or initial directors of a corporation that has not issued shares or has not commenced business may dissolve the corporation by delivering to the Office of the Secretary of State for filing articles of dissolution that set forth:

- (1) The name of the corporation;
- (2) The date of its incorporation;
- (3) Either that none of the corporation's shares has been issued, or that the corporation has not commenced business;
- (4) That no debt of the corporation remains unpaid;
- (5) That the net assets of the corporation remaining after winding up have been distributed to the shareholders, if shares were issued; and
- (6) That a majority of the incorporators or initial directors authorized the dissolution.

Section 309. A corporation's board of directors may propose dissolution for submission to the shareholders. For a proposal to dissolve to be adopted:

- (1) The board of directors must recommend dissolution to the shareholders unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders; and
- (2) The shareholders entitled to vote must approve the proposal to dissolve as provided in section 312 of this Act.

Section 310. The board of directors may condition its submission of the proposal for dissolution on any basis.

Section 311. The corporation shall notify each shareholder, whether or not entitled to vote, of the proposed shareholders' meeting. The notice must also state that the purpose, or one of the purposes, of the meeting is to consider dissolving the corporation.

Section 312. Unless the articles of incorporation or the board of directors acting pursuant to section 310 of this Act require a greater vote, a greater number of shares to be present, or a vote by voting groups, adoption of the proposal to dissolve shall require the approval of the shareholders at a meeting at which a quorum consisting of at least a majority of the votes entitled to be cast exists.

Section 313. At any time after dissolution is authorized, the corporation may dissolve by delivering to the Office of the Secretary of State for filing articles of dissolution setting forth:

- (1) The name of the corporation;
- (2) The date dissolution was authorized; and
- (3) If dissolution was approved by the shareholders, a statement that the proposal to dissolve was duly approved by the shareholders in the manner required by this Act and by the articles of incorporation.

A corporation is dissolved upon the effective date of its articles of dissolution.

Section 314. For purposes of sections 308 to 326, inclusive, of this Act, the term, dissolved corporation, means a corporation whose articles of dissolution have become effective and includes a successor entity to which the remaining assets of the corporation are transferred subject to its liabilities for purposes of liquidation.

Section 315. A corporation may revoke its dissolution within one hundred twenty days of its effective date. Revocation of dissolution must be authorized in the same manner as the dissolution was authorized unless that authorization permitted revocation by action of the board of directors alone, in which event the board of directors may revoke the dissolution without shareholder action. After the revocation of dissolution is authorized, the corporation may revoke the dissolution by delivering to the secretary of state for filing articles of revocation of dissolution, together with a copy of its articles of dissolution, that set forth:

- (1) The name of the corporation;
- (2) The effective date of the dissolution that was revoked;
- (3) The date that the revocation of dissolution was authorized;
- (4) If the corporation's board of directors, or incorporators, revoked the dissolution, a statement to that effect;
- (5) If the corporation's board of directors revoked a dissolution authorized by the shareholders, a statement that revocation was permitted by action by the board of directors alone pursuant to that authorization; and
- (6) If shareholder action was required to revoke the dissolution, the information required by subdivision (3) of section 313 of this Act.

Revocation of dissolution is effective upon the effective date of the articles of revocation of dissolution. When the revocation of dissolution is effective, it relates back to and takes effect as of

the effective date of the dissolution and the corporation resumes carrying on its business as if dissolution had never occurred.

Section 316. A dissolved corporation continues its corporate existence but may not carry on any business except that appropriate to wind up and liquidate its business and affairs, including:

- (1) Collecting its assets;
- (2) Disposing of its properties that will not be distributed in kind to its shareholders;
- (3) Discharging or making provision for discharging its liabilities;
- (4) Distributing its remaining property among its shareholders according to their interests;
and
- (5) Doing every other act necessary to wind up and liquidate its business and affairs.

Section 317. Dissolution of a corporation does not:

- (1) Transfer title to the corporation's property;
- (2) Prevent transfer of its shares or securities, although the authorization to dissolve may provide for closing the corporation's share transfer records;
- (3) Subject its directors or officers to standards of conduct different from those prescribed in sections 136 to 193, inclusive, of this Act;
- (4) Change quorum or voting requirements for its board of directors or shareholders; change provisions for selection, resignation, or removal of its directors or officers or both; or change provisions for amending its bylaws;
- (5) Prevent commencement of a proceeding by or against the corporation in its corporate name;
- (6) Abate or suspend a proceeding pending by or against the corporation on the effective date of dissolution; or
- (7) Terminate the authority of the registered agent of the corporation.

Section 318. A dissolved corporation may dispose of the known claims against it by notifying its known claimants in writing of the dissolution at any time after its effective date. The written notice must:

- (1) Describe information that must be included in a claim;
- (2) Provide a mailing address where a claim may be sent;
- (3) State the deadline, which may not be fewer than one hundred twenty days from the effective date of the written notice, by which the dissolved corporation must receive the claim; and
- (4) State that the claim will be barred if not received by the deadline.

Section 319. A claim against the dissolved corporation is barred:

- (1) If a claimant who was given written notice under section 318 of this Act does not deliver the claim to the dissolved corporation by the deadline; or
- (2) If a claimant whose claim was rejected by the dissolved corporation does not commence a proceeding to enforce the claim within ninety days from the effective date of the rejection notice.

Section 320. For purposes of sections 318 and 319 of this Act, the term, claim, does not include a contingent liability or a claim based on an event occurring after the effective date of dissolution.

Section 321. A dissolved corporation may also publish notice of its dissolution and request that persons with claims against the dissolved corporation present them in accordance with the notice.

The notice must:

- (1) Be published one time in a newspaper of general circulation in the county where the dissolved corporation's principal office, or, if none in this state, its registered office, is or was last located;
- (2) Describe the information that must be included in a claim and provide a mailing address

where the claim may be sent; and

- (3) State that a claim against the dissolved corporation will be barred unless a proceeding to enforce the claim is commenced within three years after the publication of the notice.

Section 322. If the dissolved corporation publishes a newspaper notice in accordance with section 321 of this Act, the claim of each of the following claimants is barred unless the claimant commences a proceeding to enforce the claim against the dissolved corporation within three years after the publication date of the newspaper notice:

- (1) A claimant who was not given written notice under section 318 to 320, inclusive, of this Act;
- (2) A claimant whose claim was timely sent to the dissolved corporation but not acted on;
- (3) A claimant whose claim is contingent or based on an event occurring after the effective date of dissolution.

Section 323. A claim that is not barred by section 318 or 322 of this Act may be enforced:

- (1) Against the dissolved corporation, to the extent of its undistributed assets; or
- (2) Except as provided in section 325 of this Act, if the assets have been distributed in liquidation, against a shareholder of the dissolved corporation to the extent of the shareholder's pro rata share of the claim or the corporate assets distributed to the shareholder in liquidation, whichever is less, but a shareholder's total liability for all claims under this section may not exceed the total amount of assets distributed to the shareholder.

Section 324. A dissolved corporation that has published a notice under sections 321 to 323, inclusive, of this Act may file an application with the circuit court of the county where the dissolved corporation's principal office, or, if none in this state, its registered office, is located for a determination of the amount and form of security to be provided for payment of claims that are

contingent or have not been made known to the dissolved corporation or that are based on an event occurring after the effective date of dissolution but that, based on the facts known to the dissolved corporation, are reasonably estimated to arise after the effective date of dissolution. Provision need not be made for any claim that is or is reasonably anticipated to be barred under section 322 of this Act.

Within ten days after the filing of the application, notice of the proceeding shall be given by the dissolved corporation to each claimant holding a contingent claim whose contingent claim is shown on the records of the dissolved corporation.

The court may appoint a guardian ad litem to represent all claimants whose identities are unknown in any proceeding brought under this section. The reasonable fees and expenses of such guardian, including all reasonable expert witness fees, shall be paid by the dissolved corporation.

Section 325. Provision by the dissolved corporation for security in the amount and the form ordered by the court under section 324 of this Act shall satisfy the dissolved corporation's obligations with respect to claims that are contingent, have not been made known to the dissolved corporation, or are based on an event occurring after the effective date of dissolution, and such claims may not be enforced against a shareholder who received assets in liquidation.

Section 326. Directors shall cause the dissolved corporation to discharge or make reasonable provision for the payment of claims and make distributions of assets to shareholders after payment or provision for claims.

Directors of a dissolved corporation which has disposed of claims under sections 318 to 320, inclusive, 321 to 323, inclusive, or 324 and 325, of this Act are not liable for breach of this section with respect to claims against the dissolved corporation that are barred or satisfied under sections 318 to 320, inclusive, 321 to 323, inclusive, or 324 and 325, of this Act.

Section 327. The Office of the Secretary of State may commence a proceeding under section 328

of this Act to administratively dissolve a corporation if:

- (1) The corporation does not pay within sixty days after they are due any filing fees or penalties imposed by this Act or other law;
- (2) The corporation does not deliver its annual report to the Office of the Secretary of State within sixty days after it is due;
- (3) The corporation is without a registered agent or registered office in this state for sixty days or more;
- (4) The corporation does not notify the Office of the Secretary of State within sixty days that its registered agent or registered office has been changed, or that its registered office has been discontinued; or
- (5) The corporation's period of duration stated in its articles of incorporation expires.

Section 328. If the Office of the Secretary of State determines that one or more grounds exist under section 327 of this Act for dissolving a corporation, the Office of the Secretary of State shall serve the corporation with written notice of that determination under section 52 of this Act. If the corporation does not correct each ground for dissolution or demonstrate to the reasonable satisfaction of the Office of the Secretary of State that each ground determined by the Office of the Secretary of State does not exist within sixty days after service of the notice is perfected under section 52 of this Act, the Office of the Secretary of State shall administratively dissolve the corporation by signing a certificate of dissolution that recites the ground or grounds for dissolution and its effective date. The Office of the Secretary of State shall file the original of the certificate and serve a copy on the corporation under section 52 of this Act.

A corporation administratively dissolved continues its corporate existence but may not carry on any business except that necessary to wind up and liquidate its business and affairs under sections 316 and 317 of this Act and notify claimants under sections 318 to 320, inclusive, and 321 to 323,

inclusive, of this Act.

The administrative dissolution of a corporation does not terminate the authority of its registered agent.

Section 329. A corporation administratively dissolved under section 328 of this Act may apply to the Office of the Secretary of State for reinstatement any time after the effective date of dissolution. The application must:

- (1) Recite the name of the corporation and the effective date of its administrative dissolution;
- (2) State that the ground or grounds for dissolution either did not exist or have been eliminated;
- (3) State that the corporation's name satisfies the requirements of sections 41 to 44, inclusive of this Act; and
- (4) Contain a certificate from the Department of Revenue and Regulation in this state reciting that all taxes and fees administered and collected by the department which are owed by the corporation have been paid.

If the Office of the Secretary of State determines that the application contains the information required by this section and that the information is correct, the Office of the Secretary of State shall cancel the certificate of dissolution and prepare a certificate of reinstatement that recites that determination and the effective date of reinstatement, file the original of the certificate, and serve a copy on the corporation under section 52 of this Act.

When the reinstatement is effective, it relates back to and takes effect as of the effective date of the administrative dissolution and the corporation resumes carrying on its business as if the administrative dissolution had never occurred.

Section 330. If the Office of the Secretary of State denies a corporation's application for reinstatement following administrative dissolution, the Office of the Secretary of State shall serve

the corporation under section 52 of this Act with a written notice that explains the reason or reasons for denial.

The corporation may appeal the denial of reinstatement to the circuit court within thirty days after service of the notice of denial is perfected. The corporation appeals by petitioning the court to set aside the dissolution and attaching to the petition copies of the Office of the Secretary of State's certificate of dissolution, the corporation's application for reinstatement, and the Office of the Secretary of State's notice of denial.

The court may summarily order the Office of the Secretary of State to reinstate the dissolved corporation or may take other action the court considers appropriate. The court's final decision may be appealed as in other civil proceedings.

Section 331. The circuit court may dissolve a corporation:

- (1) In a proceeding by the attorney general if it is established that:
 - (a) The corporation obtained its articles of incorporation through fraud; or
 - (b) The corporation has continued to exceed or abuse the authority conferred upon it by law;
- (2) In a proceeding by a shareholder if it is established that:
 - (a) The directors are deadlocked in the management of the corporate affairs, the shareholders are unable to break the deadlock, and irreparable injury to the corporation is threatened or being suffered, or the business and affairs of the corporation can no longer be conducted to the advantage of the shareholders generally, because of the deadlock;
 - (b) The directors or those in control of the corporation have acted, are acting, or will act in a manner that is illegal, oppressive, or fraudulent;
 - (c) The shareholders are deadlocked in voting power and have failed, for a period that

includes at least two consecutive annual meeting dates, to elect successors to directors whose terms have expired; or

- (d) The corporate assets are being misapplied or wasted;
- (3) In a proceeding by a creditor if it is established that:
- (a) The creditor's claim has been reduced to judgment, the execution on the judgment returned unsatisfied, and the corporation is insolvent; or
 - (b) The corporation has admitted in writing that the creditor's claim is due and owing and the corporation is insolvent; or
- (4) In a proceeding by the corporation to have its voluntary dissolution continued under court supervision.

Section 332. Venue for a proceeding by the attorney general to dissolve a corporation lies in Hughes County. Venue for a proceeding brought by any other party named in section 331 of this Act lies in the county where a corporation's principal office, or, if none in this state, its registered office, is or was last located.

Section 333. It is not necessary to make shareholders parties to a proceeding to dissolve a corporation unless relief is sought against them individually.

Section 334. A court in a proceeding brought to dissolve a corporation may issue injunctions, appoint a receiver or custodian pendente lite with all powers and duties the court directs, take other action required to preserve the corporate assets wherever located, and carry on the business of the corporation until a full hearing can be held.

Section 335. Within ten days of the commencement of a proceeding under subdivision (2) of section 331 of this Act to dissolve a corporation that has no shares listed on a national securities exchange or regularly traded in a market maintained by one or more members of a national or affiliated securities association, the corporation shall send to all shareholders, other than the

petitioner, a notice stating that the shareholders are entitled to avoid the dissolution of the corporation by electing to purchase the petitioner's shares under sections 338 to 345, inclusive of this Act and accompanied by a copy of sections 338 to 345, inclusive, of this Act.

Section 336. A court in a judicial proceeding brought to dissolve a corporation may appoint one or more receivers to wind up and liquidate, or one or more custodians to manage, the business and affairs of the corporation. The court shall hold a hearing, after notifying all parties to the proceeding and any interested persons designated by the court, before appointing a receiver or custodian. The court appointing a receiver or custodian has exclusive jurisdiction over the corporation and all of its property wherever located.

The court may appoint an individual or a domestic or foreign corporation, authorized to transact business in this state, as a receiver or custodian. The court may require the receiver or custodian to post bond, with or without sureties, in an amount the court directs.

The court shall describe the powers and duties of the receiver or custodian in its appointing order, which may be amended from time to time. Among other powers:

- (1) The receiver may dispose of all or any part of the assets of the corporation wherever located, at a public or private sale, if authorized by the court; and may sue and defend in such person's own name as receiver of the corporation in all courts of this state;
- (2) The custodian may exercise all of the powers of the corporation, through or in place of its board of directors, to the extent necessary to manage the affairs of the corporation in the best interests of its shareholders and creditors.

The court during a receivership may redesignate the receiver a custodian, and during a custodianship may redesignate the custodian a receiver, if doing so is in the best interests of the corporation, its shareholders, and creditors.

The court from time to time during the receivership or custodianship may order compensation

paid and expense disbursements or reimbursements made to the receiver or custodian and such person's counsel from the assets of the corporation or proceeds from the sale of the assets.

Section 337. If after a hearing the court determines that one or more grounds for judicial dissolution described in section 331 of this Act exist, the court may enter a decree dissolving the corporation and specifying the effective date of the dissolution, and the clerk of the court shall deliver a certified copy of the decree to the Office of the Secretary of State, who shall file it.

After entering the decree of dissolution, the court shall direct the winding-up and liquidation of the corporation's business and affairs in accordance with sections 316 and 317 of this Act and the notification of claimants in accordance with sections 318 to 320, inclusive, of this Act and 321 to 323, inclusive, of this Act.

Section 338. In a proceeding under subdivision (2) of section 331 of this Act to dissolve a corporation that has no shares listed on a national securities exchange or regularly traded in a market maintained by one or more members of a national or affiliated securities association, the corporation may elect or, if it fails to elect, one or more shareholders may elect to purchase all shares owned by the petitioning shareholder at the fair value of the shares. An election pursuant to this section is irrevocable unless the court determines that it is equitable to set aside or modify the election.

Section 339. An election to purchase pursuant to section 338 to 345, inclusive, of this Act may be filed with the court at any time within ninety days after the filing of the petition under subdivision (2) of section 331 of this Act or at such later time as the court in its discretion may allow. If the election to purchase is filed by one or more shareholders, the corporation shall, within ten days thereafter, give written notice to all shareholders, other than the petitioner. The notice must state the name and number of shares owned by the petitioner and the name and number of shares owned by each electing shareholder and must advise the recipients of their right to join in the election to purchase shares in accordance with this section. Shareholders who wish to participate must file

notice of their intention to join in the purchase no later than thirty days after the effective date of the notice to them. All shareholders who have filed an election or notice of their intention to participate in the election to purchase thereby become parties to the proceeding and shall participate in the purchase in proportion to their ownership of shares as of the date the first election was filed, unless they otherwise agree or the court otherwise directs. After an election has been filed by the corporation or one or more shareholders, the proceeding under subdivision (2) of section 331 of this Act may not be discontinued or settled, nor may the petitioning shareholder sell or otherwise dispose of the petitioner's shares, unless the court determines that it would be equitable to the corporation and the shareholders, other than the petitioner, to permit such discontinuance, settlement, sale, or other disposition.

Section 340. If, within sixty days of the filing of the first election, the parties reach agreement as to the fair value and terms of purchase of the petitioner's shares, the court shall enter an order directing the purchase of petitioner's shares upon the terms and conditions agreed to by the parties.

Section 341. If the parties are unable to reach an agreement as provided for in section 340 of this Act, the court, upon application of any party, shall stay the proceedings under subdivision (2) of section 331 of this Act and determine the fair value of the petitioner's shares as of the day before the date on which the petition under subdivision (2) of section 331 of this Act was filed or as of such other date as the court deems appropriate under the circumstances.

Section 342. Upon determining the fair value of the shares, the court shall enter an order directing the purchase upon such terms and conditions as the court deems appropriate, which may include payment of the purchase price in installments, if necessary in the interests of equity, provision for security to assure payment of the purchase price and any additional costs, fees, and expenses as may have been awarded, and, if the shares are to be purchased by shareholders, the allocation of shares among them. In allocating petitioner's shares among holders of different classes

of shares, the court should attempt to preserve the existing distribution of voting rights among holders of different classes insofar as practicable and may direct that holders of a specific class or classes may not participate in the purchase. Interest may be allowed at the rate and from the date determined by the court to be equitable, but if the court finds that the refusal of the petitioning shareholder to accept an offer of payment was arbitrary or otherwise not in good faith, no interest may be allowed. If the court finds that the petitioning shareholder had probable grounds for relief under subsections (2)(b) or (2)(d) of section 331 of this Act, it may award to the petitioning shareholder reasonable fees and expenses of counsel and of any experts employed by the petitioner.

Section 343. Upon entry of an order under sections 340 or 342 of this Act, the court shall dismiss the petition to dissolve the corporation under section 331 of this Act, and the petitioning shareholder no longer has any rights or status as a shareholder of the corporation, except the right to receive the amounts awarded by the order of the court which shall be enforceable in the same manner as any other judgment.

Section 344. The purchase ordered pursuant to section 342 of this Act shall be made within ten days after the date the order becomes final unless before that time the corporation files with the court a notice of its intention to adopt articles of dissolution pursuant to sections 309 to 314, inclusive, of this Act, which articles must then be adopted and filed within fifty days thereafter. Upon filing of such articles of dissolution, the corporation shall be dissolved in accordance with the provisions of sections 316 to 323, inclusive, of this Act, and the order entered pursuant to section 342 of this Act is no longer of any force or effect, except that the court may award the petitioning shareholder reasonable fees and expenses in accordance with the provisions of the last sentence of section 342 of this Act and the petitioner may continue to pursue any claims previously asserted on behalf of the corporation.

Section 345. Any payment by the corporation pursuant to an order under sections 340 or 342 of

this Act, other than an award of fees and expenses pursuant to section 342 of this Act, is subject to the provisions of sections 80 to 85, inclusive, of this Act.

Section 346. Assets of a dissolved corporation that should be transferred to a creditor, claimant, or shareholder of the corporation who cannot be found or who is not competent to receive them shall be reduced to cash and deposited with the state treasurer for safekeeping. When the creditor, claimant, or shareholder furnishes satisfactory proof of entitlement to the amount deposited, the state treasurer shall pay that amount.

Section 347. A foreign corporation may not transact business in this state until it obtains a certificate of authority from the Office of the Secretary of State. The following activities, among others, do not constitute transacting business within the meaning of this section:

- (1) Maintaining, defending, or settling any proceeding;
- (2) Holding meetings of the board of directors or shareholders or carrying on other activities concerning internal corporate affairs;
- (3) Maintaining bank accounts;
- (4) Maintaining offices or agencies for the transfer, exchange, and registration of the corporation's own securities or maintaining trustees or depositories with respect to those securities;
- (5) Selling through independent contractors;
- (6) Soliciting or obtaining orders, whether by mail or through employees or agents or otherwise, if the orders require acceptance outside this state before they become contracts;
- (7) Creating or acquiring indebtedness, mortgages, and security interests in real or personal property;
- (8) Securing or collecting debts or enforcing mortgages and security interests in property securing the debts;

- (9) Owning, without more, real or personal property;
- (10) Conducting an isolated transaction that is completed within thirty days and that is not one in the course of repeated transactions of a like nature; and
- (11) Transacting business in interstate commerce.

Section 348. A foreign corporation transacting business in this state without a certificate of authority may not maintain a proceeding in any court in this state until it obtains a certificate of authority. The successor to a foreign corporation that transacted business in this state without a certificate of authority and the assignee of a cause of action arising out of that business may not maintain a proceeding based on that cause of action in any court in this state until the foreign corporation or its successor obtains a certificate of authority.

Section 349. A court may stay a proceeding commenced by a foreign corporation, its successor, or assignee until it determines whether the foreign corporation or its successor requires a certificate of authority. If it so determines, the court may further stay the proceeding until the foreign corporation or its successor obtains the certificate.

Section 350. A foreign corporation is liable for a civil penalty of one hundred dollars for each day, but not to exceed a total of one thousand dollars for each year, it transacts business in this state without a certificate of authority. The attorney general may collect all penalties due under this section.

Notwithstanding section 348 of this Act, the failure of a foreign corporation to obtain a certificate of authority does not impair the validity of its corporate acts or prevent it from defending any proceeding in this state.

Section 351. A foreign corporation may apply for a certificate of authority to transact business in this state by delivering an application to the Office of the Secretary of State for filing. The application must set forth:

- (1) The name of the foreign corporation or, if its name is unavailable for use in this state, a corporate name that satisfies the requirements of sections 354 to 358, inclusive, of this Act;
- (2) The name of the state or country under whose law it is incorporated;
- (3) Its date of incorporation and period of duration;
- (4) The street address, or a statement that there is no street address, of its principal office;
- (5) The address of its registered office in this state and the name of its registered agent at that office; and
- (6) The names and usual business addresses of its current directors and officers.

The foreign corporation shall deliver with the completed application a certificate of existence, or a document of similar import, duly authenticated by the secretary of state or other official having custody of corporate records in the state or country under whose law it is incorporated.

Section 352. A foreign corporation authorized to transact business in this state must obtain an amended certificate of authority from the Office of the Secretary of State if it changes:

- (1) Its corporate name;
- (2) The period of its duration; or
- (3) The state or country of its incorporation.

The requirements of section 351 of this Act for obtaining an original certificate of authority apply to obtaining an amended certificate under this section.

Section 353. A certificate of authority authorizes the foreign corporation to which it is issued to transact business in this state subject, however, to the right of the state to revoke the certificate as provided in this Act.

A foreign corporation with a valid certificate of authority has the same but no greater rights and has the same but no greater privileges as, and, except as otherwise provided by this Act, is subject

to the same duties, restrictions, penalties, and liabilities now or later imposed on, a domestic corporation of like character.

This Act does not authorize this state to regulate the organization or internal affairs of a foreign corporation authorized to transact business in this state.

Section 354. If the corporate name of a foreign corporation does not satisfy the requirements of sections 41 to 44, inclusive, of this Act, the foreign corporation to obtain or maintain a certificate of authority to transact business in this state:

- (1) May add the word, corporation, incorporated, company, or limited, or the abbreviation corp., inc., co., or ltd., to its corporate name for use in this state; or
- (2) May use a fictitious name to transact business in this state if its real name is unavailable and it delivers to the secretary of state for filing a copy of the resolution of its board of directors, certified by its secretary, adopting the fictitious name.

Section 355. Except as authorized by sections 356 and 357 of this Act, the corporate name, including a fictitious name, of a foreign corporation must be distinguishable upon the records of the secretary of state from:

- (1) The corporate name of a corporation incorporated or authorized to transact business in this state;
- (2) A corporate name reserved or registered under section 45 or 46 to 48, inclusive, of this Act;
- (3) The fictitious name of another foreign corporation authorized to transact business in this state;
- (4) The corporate name of a not-for-profit corporation incorporated or authorized to transact business in this state; and
- (5) The name of a limited liability company, limited partnership, limited liability partnership,

or limited liability limited partnership organized or authorized to transact business in this state.

Section 356. A foreign corporation may apply to the Office of the Secretary of State for authorization to use in this state the name of another corporation, incorporated or authorized to transact business in this state, that is not distinguishable upon the records of the Office of the Secretary of State from the name applied for. The Office of the Secretary of State shall authorize use of the name applied for if:

- (1) The other corporation or entity consents to the use in writing and submits an undertaking in form satisfactory to the Office of the Secretary of State to change its name to a name that is distinguishable upon the records of the Office of the Secretary of State from the name of the applying corporation; or
- (2) The applicant delivers to the secretary of state a certified copy of a final judgment of a court of competent jurisdiction establishing the applicant's right to use the name applied for in this state.

Section 357. A foreign corporation may use in this state the name, including the fictitious name, of another domestic or foreign corporation that is used in this state if the other corporation is incorporated or authorized to transact business in this state and the foreign corporation:

- (1) Has merged with the other corporation;
- (2) Has been formed by reorganization of the other corporation; or
- (3) Has acquired all or substantially all of the assets, including the corporate name, of the other corporation.

Section 358. If a foreign corporation authorized to transact business in this state changes its corporate name to one that does not satisfy the requirements of sections 41 to 44, inclusive, of this Act, it may not transact business in this state under the changed name until it adopts a name

satisfying the requirements of sections 41 to 44, inclusive, of this Act and obtains an amended certificate of authority under section 352 of this Act.

Section 359. Each foreign corporation authorized to transact business in this state must continuously maintain in this state:

- (1) A registered office that may be the same as any of its places of business; and
- (2) A registered agent, who may be:
 - (a) An individual who resides in this state and whose business office is identical with the registered office;
 - (b) A domestic corporation or not-for-profit domestic corporation whose business office is identical with the registered office; or
 - (c) A foreign corporation or foreign not-for-profit corporation authorized to transact business in this state whose business office is identical with the registered office.

Section 360. A foreign corporation authorized to transact business in this state may change its registered office or registered agent by delivering to the Office of the Secretary of State for filing a statement of change that sets forth:

- (1) The name of the corporation;
- (2) The street address, or a statement that there is no street address, of its current registered office;
- (3) If the current registered office is to be changed, the street address, or a statement that there is no street address, of its new registered office;
- (4) The name of its current registered agent;
- (5) If the current registered agent is to be changed, the name of the new registered agent and the new agent's written consent to the appointment. Such consent may be given by electronic signature pursuant to chapter 53-12; and

- (6) That after the change or changes are made, the street addresses of its registered office and the business office of its registered agent will be identical.

If a registered agent changes the street address of the registered agent's business office, the registered agent may change the street address of the registered office of any foreign corporation for which the registered agent is the registered agent by notifying the corporation in writing of the change and signing, either manually or in facsimile, and delivering to the Office of the Secretary of State for filing a statement of change that complies with the requirements of this section and recites that the corporation has been notified of the change.

Section 361. The registered agent of a foreign corporation may resign such agency appointment by signing and delivering to the Office of the Secretary of State for filing a statement of resignation. The statement of resignation may include a statement that the registered office is also discontinued.

After delivering the statement to the Office of the Secretary of State, the registered agent shall mail one copy to the registered office if not discontinued and mail another copy to the foreign corporation at its principal office address.

The agency appointment is terminated, and the registered office discontinued if so provided, on the thirty-first day after the date on which the statement was filed.

Section 362. The registered agent of a foreign corporation authorized to transact business in this state is the corporation's agent for service of process, notice, or demand required or permitted by law to be served on the foreign corporation.

A foreign corporation may be served by registered or certified mail, return receipt requested, addressed to the secretary of the foreign corporation at its principal office shown in its application for a certificate of authority or in its most recent annual report if the foreign corporation has no registered agent or its registered agent cannot with reasonable diligence be served; has withdrawn from transacting business in this state under section 363 of this Act; or has had its certificate of

authority revoked under section 367 of this Act. Service is perfected under this section at the earliest of:

- (1) The date the foreign corporation receives the mail;
- (2) The date shown on the return receipt, if signed on behalf of the foreign corporation; or
- (3) Five days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed.

If service cannot be obtained pursuant to this section, the Office of the Secretary of State is the corporation's agent for service of process, notice, or demand required or permitted by law to be served on the corporation.

This section does not prescribe the only means, or necessarily the required means, of serving a foreign corporation.

Section 363. A foreign corporation authorized to transact business in this state may not withdraw from this state until it obtains a certificate of withdrawal from the Office of the Secretary of State. A foreign corporation authorized to transact business in this state may apply for a certificate of withdrawal by delivering an application to the secretary of state for filing. The application must set forth:

- (1) The name of the foreign corporation and the name of the state or country under whose law it is incorporated;
- (2) That it is not transacting business in this state and that it surrenders its authority to transact business in this state;
- (3) That it revokes the authority of its registered agent to accept service on its behalf; and
- (4) The address of the corporation's principal office.

After the withdrawal of the corporation is effective, service of process is perfected pursuant to section 362 of this Act.

Section 364. A foreign business corporation authorized to transact business in this state that converts to any form of domestic filing entity shall be deemed to have withdrawn on the effective date of the conversion.

Section 365. A foreign business corporation authorized to transact business in this state that converts to a domestic or foreign nonfiling entity shall apply for a certificate of withdrawal by delivering an application to the secretary of state for filing. The application must set forth:

- (1) The name of the foreign business corporation and the name of the state or country under whose law it was incorporated before the conversion;
- (2) That it surrenders its authority to transact business in this state as a foreign business corporation;
- (3) The type of unincorporated entity to which it has been converted and the jurisdiction whose laws govern its internal affairs;
- (4) If it has been converted to a foreign unincorporated entity:
 - (a) That it revokes the authority of its registered agent to accept service on its behalf;
and
 - (b) The address of the entity's principal office.

After the withdrawal under this section of a corporation that has converted to a foreign unincorporated entity is effective, service of process is perfected pursuant to section 362 of this Act.

After the withdrawal under this section of a corporation that has converted to a domestic unincorporated entity is effective, service of process shall be made on the unincorporated entity in accordance with the regular procedures for service of process on the form of unincorporated entity to which the corporation was converted.

Section 366. A foreign business corporation authorized to transact business in this state that converts to any form of foreign unincorporated entity that is required to obtain a certificate of

authority or make a similar type of filing with the Office of the Secretary of State if it transacts business in this state shall file with the Office of the Secretary of State an application for transfer of authority executed by any officer or other duly authorized representative. The application shall set forth:

- (1) The name of the corporation;
- (2) The type of unincorporated entity to which it has been converted and the jurisdiction whose laws govern its internal affairs;
- (3) Any other information that would be required in a filing under the laws of this state by an unincorporated entity of the type the corporation has become seeking authority to transact business in this state.

The application for transfer of authority shall be delivered to the Office of the Secretary of State for filing and shall take effect at the effective time provided in sections 9 and 10 of this Act.

Upon the effectiveness of the application for transfer of authority, the authority of the corporation under sections 347 to 370, inclusive, of this Act to transact business in this state shall be transferred without interruption to the converted entity which shall thereafter hold such authority subject to the provisions of the laws of this state applicable to that type of unincorporated entity.

Section 367. The Office of the Secretary of State may commence a proceeding under sections 368 and 369 of this Act to revoke the certificate of authority of a foreign corporation authorized to transact business in this state if:

- (1) The foreign corporation does not deliver its annual report to the Office of the Secretary of State within sixty days after it is due;
- (2) The foreign corporation does not pay within sixty days after they are due any franchise taxes or penalties imposed by this Act or other law;
- (3) The foreign corporation is without a registered agent or registered office in this state for

sixty days or more;

- (4) The foreign corporation does not inform the secretary of state under section 360 or 361 of this Act that its registered agent or registered office has changed, that its registered agent has resigned, or that its registered office has been discontinued within sixty days of the change, resignation, or discontinuance;
- (5) An incorporator, director, officer, or agent of the foreign corporation signed a document knowing it was false in any material respect with intent that the document be delivered to the Office of the Secretary of State for filing;
- (6) The Office of the Secretary of State receives a duly authenticated certificate from the Office of the Secretary of State or other official having custody of corporate records in the state or country under whose law the foreign corporation is incorporated stating that it has been dissolved or disappeared as the result of a merger.

Section 368. If the Office of the Secretary of State determines that one or more grounds exist under section 367 of this Act for revocation of a certificate of authority, the Office of the Secretary of State shall serve the foreign corporation with written notice of that determination under section 362 of this Act. If the foreign corporation does not correct each ground for revocation or demonstrate to the reasonable satisfaction of the Office of the Secretary of State that each ground determined by the Office of the Secretary of State does not exist within sixty days after service of the notice is perfected under section 362 of this Act, the Office of the Secretary of State may revoke the foreign corporation's certificate of authority by signing a certificate of revocation that recites the ground or grounds for revocation and its effective date. The Office of the Secretary of State shall file the original of the certificate and serve a copy on the foreign corporation under section 362 of this Act.

The authority of a foreign corporation to transact business in this state ceases on the date shown on the certificate revoking its certificate of authority.

Section 369. The Office of the Secretary of State's revocation of a foreign corporation's certificate of authority appoints the Office of the Secretary of State the foreign corporation's agent for service of process in any proceeding based on a cause of action which arose during the time the foreign corporation was authorized to transact business in this state. Service of process on the Office of the Secretary of State under this section is service on the foreign corporation. Upon receipt of process, the Office of the Secretary of State shall mail a copy of the process to the secretary of the foreign corporation at its principal office shown in its most recent annual report or in any subsequent communication received from the corporation stating the current mailing address of its principal office, or, if none are on file, in its application for a certificate of authority.

Revocation of a foreign corporation's certificate of authority does not terminate the authority of the registered agent of the corporation.

Section 370. A foreign corporation may appeal the Office of the Secretary of State's revocation of its certificate of authority to the circuit court within thirty days after service of the certificate of revocation is perfected under section 362 of this Act. The foreign corporation appeals by petitioning the court to set aside the revocation and attaching to the petition copies of its certificate of authority and the Office of the Secretary of State's certificate of revocation.

The court may summarily order the Office of the Secretary of State to reinstate the certificate of authority or may take any other action the court considers appropriate.

The court's final decision may be appealed as in other civil proceedings.

Section 371. A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation.

A corporation shall maintain appropriate accounting records.

A corporation or its agent shall maintain a record of its shareholders, in a form that permits preparation of a list of the names and addresses of all shareholders, in alphabetical order by class of shares showing the number and class of shares held by each.

A corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

Section 372. A corporation shall keep a copy of the following records at its principal office:

- (1) Its articles or restated articles of incorporation, all amendments to them currently in effect, and any notices to shareholders referred to in section 4 of this Act regarding facts on which a filed document is dependent;
- (2) Its bylaws or restated bylaws and all amendments to them currently in effect;
- (3) Resolutions adopted by its board of directors creating one or more classes or series of shares, and fixing their relative rights, preferences, and limitations, if shares issued pursuant to those resolutions are outstanding;
- (4) The minutes of all shareholders' meetings, and records of all action taken by shareholders without a meeting, for the past three years;
- (5) All written communications to shareholders generally within the past three years, including the financial statements furnished for the past three years under section 385 of this Act;
- (6) A list of the names and business addresses of its current directors and officers; and
- (7) Its most recent annual report delivered to the Office of the Secretary of State under sections 386 to 389, inclusive, of this Act.

Section 373. A shareholder of a corporation is entitled to inspect and copy, during regular business hours at the corporation's principal office, any of the records of the corporation described in section 372 of this Act if the shareholder gives the corporation written notice of that demand at

least five business days before the date on which the shareholder wishes to inspect and copy.

Section 374. A shareholder of a corporation is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation if the shareholder meets the requirements of section 375 of this Act and gives the corporation written notice of that demand at least five business days before the date on which the shareholder wishes to inspect and copy:

- (1) Excerpts from minutes of any meeting of the board of directors, records of any action of a committee of the board of directors while acting in place of the board of directors on behalf of the corporation, minutes of any meeting of the shareholders, and records of action taken by the shareholders or board of directors without a meeting, to the extent not subject to inspection under section 373 of this Act;
- (2) Accounting records of the corporation; and
- (3) The record of shareholders.

Section 375. A shareholder may inspect and copy the records described in section 374 of this Act only if:

- (1) Demand is made in good faith and for a proper purpose;
- (2) The shareholder describes with reasonable particularity the purpose and the records the shareholder desires to inspect; and
- (3) The records are directly connected with the purpose.

Section 376. The right of inspection granted by sections 373 to 375, inclusive, of this Act may not be abolished or limited by a corporation's articles of incorporation or bylaws.

The provisions of this section do not affect:

- (1) The right of a shareholder to inspect records under section 95 of this Act or, if the shareholder is in litigation with the corporation, to the same extent as any other litigant;

- (2) The power of a court, independently of this Act, to compel the production of corporate records for examination.

For purposes of sections 373 to 376, inclusive, of this Act, the term, shareholder, includes a beneficial owner whose shares are held in a voting trust or by a nominee on his behalf.

Section 377. A shareholder's agent or attorney has the same inspection and copying rights as the shareholder represented.

The right to copy records under sections 373 to 376, inclusive, of this Act includes, if reasonable, the right to receive copies by xerographic or other means, including copies through an electronic transmission if available and so requested by the shareholder.

The corporation may comply at its expense with a shareholder's demand to inspect the record of shareholders under subdivision (3) of section 374 of this Act by providing the shareholder with a list of shareholders that was compiled no earlier than the date of the shareholder's demand.

The corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder. The charge may not exceed the estimated cost of production, reproduction, or transmission of the records.

Section 378. If a corporation does not allow a shareholder who complies with section 373 of this Act to inspect and copy any records required by that section to be available for inspection, the circuit court of the county where the corporation's principal office, or, if none in this state, its registered office, is located may summarily order inspection and copying of the records demanded at the corporation's expense upon application of the shareholder.

Section 379. If a corporation does not within a reasonable time allow a shareholder to inspect and copy any other record, the shareholder who complies with sections 374 and 375 of this Act may apply to the circuit court in the county where the corporation's principal office, or, if none in this state, its registered office, is located for an order to permit inspection and copying of the records

demand. The court shall dispose of an application under this section on an expedited basis.

Section 380. If the court orders inspection and copying of the records demanded, the court shall also order the corporation to pay the shareholder's costs, including reasonable counsel fees, incurred to obtain the order unless the corporation proves that it refused inspection in good faith because it had a reasonable basis for doubt about the right of the shareholder to inspect the records demanded.

If the court orders inspection and copying of the records demanded, the court may impose reasonable restrictions on the use or distribution of the records by the demanding shareholder.

Section 381. A director of a corporation is entitled to inspect and copy the books, records, and documents of the corporation at any reasonable time to the extent reasonably related to the performance of the director's duties as a director, including duties as a member of a committee, but not for any other purpose or in any manner that would violate any duty to the corporation.

Section 382. The circuit court of the county where the corporation's principal office, or if none in this state, its registered office, is located may order inspection and copying of the books, records, and documents at the corporation's expense, upon application of a director who has been refused such inspection rights, unless the corporation establishes that the director is not entitled to such inspection rights. The court shall dispose of an application under this section on an expedited basis.

Section 383. If an order is issued, the court may include provisions protecting the corporation from undue burden or expense, and prohibiting the director from using information obtained upon exercise of the inspection rights in a manner that would violate a duty to the corporation, and may also order the corporation to reimburse the director for the director's costs, including reasonable counsel fees, incurred in connection with the application.

Section 384. Whenever notice is required to be given under any provision of this Act to any shareholder, such notice may not be required to be given if:

- (1) Notice of two consecutive annual meetings, and all notices of meetings during the period

between such two consecutive annual meetings, have been sent to such shareholder at such shareholder's address as shown on the records of the corporation and have been returned undeliverable; or

- (2) All, but not less than two, payments of dividends on securities during a twelve-month period, or two consecutive payments of dividends on securities during a period of more than twelve months, have been sent to such shareholder at such shareholder's address as shown on the records of the corporation and have been returned undeliverable.

If any such shareholder shall deliver to the corporation a written notice setting forth such shareholder's then-current address, the requirement that notice be given to such shareholder shall be reinstated.

Section 385. Upon the written request of any shareholder of a corporation, the corporation shall mail to such shareholder its most recent financial statement showing in reasonable detail its assets and liabilities and the results of its operations.

Section 386. Each domestic corporation, and each foreign corporation authorized to transact business in this state, shall deliver to the Office of the Secretary of State for filing an annual report that sets forth:

- (1) The name of the corporation and the state or country under whose law it is incorporated;
- (2) The address of its registered office and the name of its registered agent at that office in this state;
- (3) The address of its principal office;
- (4) The names and business addresses of its directors and principal officers;
- (5) A brief description of the nature of its business;
- (6) The total number of authorized shares, itemized by class and series, if any, within each class; and

- (7) The total number of issued and outstanding shares, itemized by class and series, if any, within each class.

Information in the annual report must be current as of the date the annual report is executed on behalf of the corporation.

Section 387. The first annual report shall be delivered to the Office of the Secretary of State before the first day of the second month of the year following the year in which a domestic corporation was organized or a foreign corporation was authorized to transact business. The subsequent annual report shall be delivered to the Office of the Secretary of State by the same date each subsequent year.

Section 388. If an annual report does not contain the information required by sections 386 to 389, inclusive, of this Act, the secretary of state shall promptly notify the reporting domestic or foreign corporation in writing and return the report to it for correction. If the report is corrected to contain the information required by sections 386 to 389, inclusive, of this Act and delivered to the Office of the Secretary of State within thirty days after the effective date of notice, it is deemed to be timely filed.

Section 389. If no changes have been made in the corporation structure since the last annual report so that all information set forth in its prior annual report pursuant to sections 386 to 389, inclusive, of this Act would be identical, a short form as prescribed by the Office of the Secretary of State, executed on behalf of the corporation, may be filed in lieu of the annual report at or before the time the annual report is due. A short form may be used to report a corporation's street address.

Section 390. This Act applies to all domestic corporations in existence on its effective date that were incorporated under any general statute of this state providing for incorporation of corporations for profit.

Section 391. A foreign corporation authorized to transact business in this state on the effective

date of this Act is subject to this Act but is not required to obtain a new certificate of authority to transact business under this Act.

Section 392. Except as provided in section 393 of this Act, the repeal of a statute by this Act does not affect:

- (1) The operation of the statute or any action taken under it before its repeal;
- (2) Any ratification, right, remedy, privilege, obligation, or liability acquired, accrued, or incurred under the statute before its repeal;
- (3) Any violation of the statute, or any penalty, forfeiture, or punishment incurred because of the violation, before its repeal;
- (4) Any proceeding, reorganization, or dissolution commenced under the statute before its repeal, and the proceeding, reorganization, or dissolution may be completed in accordance with the statute as if it had not been repealed.

Section 393. If a penalty or punishment imposed for violation of a statute repealed by this Act is reduced by this Act, the penalty or punishment, if not already imposed, shall be imposed in accordance with this Act.

Section 394. That chapters 47-1 to 47-9, inclusive, be repealed.

An Act to enact the South Dakota Business Corporation Act, to repeal certain chapters relating to corporations, and to revise certain related provisions.

=====

I certify that the attached Act
originated in the

SENATE as Bill No. 70

Secretary of the Senate
=====

President of the Senate

Attest:

Secretary of the Senate

Speaker of the House

Attest:

Chief Clerk

Senate Bill No. 70
File No. _____
Chapter No. _____

=====

Received at this Executive Office
this _____ day of _____ ,

20____ at _____ M.

By _____
for the Governor
=====

The attached Act is hereby
approved this _____ day of
_____, A.D., 20____

Governor
=====

STATE OF SOUTH DAKOTA,
ss.
Office of the Secretary of State

Filed _____, 20____
at _____ o'clock __ M.

Secretary of State

By _____
Asst. Secretary of State